



## **Notice of Convocation**

*The 50th Ordinary General Meeting of Shareholders*

The following is an English translation of the Notice of Convocation of the 50th Ordinary General Meeting of Shareholders of SECOM CO., LTD. to be held on June 24, 2011, except for the translation of the INSTRUCTION ON ONLINE VOTING and the ACCESS MAP FOR THE PLACE OF THE MEETING in the Notice. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

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

## **Notice of Convocation of The 50<sup>th</sup> Ordinary General Meeting of Shareholders**

Dear Shareholders:

We would like to express our heartfelt sympathies and condolences for people who suffered from the Great East Japan Earthquake in March 2011.

You are cordially invited to attend the 50<sup>th</sup> Ordinary General Meeting of Shareholders of SECOM CO., LTD. (the “Company”).

**If you are unable to attend the aforesaid meeting, you can exercise your votes through either of the methods stated below. The Company respectfully requests you to study the “Reference Document Concerning the General Meeting of Shareholders” below and exercise your voting right on or before 6:00 p.m. (JST) June 23, 2011 (Thursday):**

**[Exercising voting right by mail]**

**Please indicate on the Voting Right Exercise Form enclosed herewith your approval or disapproval of the proposals on the agenda, and return the form to the Company by mail so as to arrive us before the aforesaid deadline.**

**[Exercising voting right via the Internet]**

**Please access the website for the exercise of voting rights (<http://www.evotep.jp/>), using the log-in ID and temporary password which are shown on the Voting Right Exercise Form. After logging in, please indicate whether you approve or disapprove the items on the agenda by following the instructions on the display screen before the aforesaid deadline.**

Yours very truly,

**SECOM CO., LTD.**

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

By: SHUJI MAEDA

President and Representative Director

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

## PARTICULARS

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

Friday, June 24, 2011 at 10:00 a.m.

**2. Place of the Meeting:**

Bersarle Hanzomon, Sumitomo Fudosan Hanzomon-Ekimae Building 2F, 6-4 Koujimachi 1-chome, Chiyoda-ku, Tokyo  
**(Since the place of meeting is different from the previous meeting, reference is made to the map showing the way to the place of meeting at the end hereof. )**

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

**Matters to be Reported:**

1. Report on the Business Report, the Consolidated Financial Statements for the 50<sup>th</sup> Fiscal Year (from April 1, 2010 to March 31, 2011) and the Results on the Audits of Consolidated Financial Statements by the Accounting Auditors and the Board of Corporate Auditors.
2. Report on the Non-Consolidated Financial Statements for the 50<sup>th</sup> Fiscal Year (April 1, 2010 to March 31, 2011).

**Matters to be Resolved upon:**

- |                                 |   |
|---------------------------------|---|
| <b>First Item of Business:</b>  | Proposed Distribution of Surplus                          |
| <b>Second Item of Business:</b> | Partial Amendments to the Articles of Incorporation       |
| <b>Third Item of Business:</b>  | Election of Eleven (11) Directors                         |
| <b>Fourth Item of Business:</b> | Election of Five (5) Corporate Auditors                   |
| <b>Fifth Item of Business:</b>  | Revision of Remuneration to Corporate Auditors as a Group |

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

- 1) In the event that a shareholder wants to exercise non-uniform voting, he/she shall notify the Company to make non-uniform voting and the reason thereof in writing three (3) days prior to the General Meeting of Shareholders.
- 2) In the event that a shareholder exercises voting rights both via return mail (Voting Right Exercise Form) and the Internet, the

Company will consider the exercise of voting rights via the Internet to be valid.

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

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(Note)

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

(Notice)

If there occurs any amendment to the contents of the Reference Document Concerning the General Meeting of Shareholders and the Business Report, the Consolidated Financial Statements, or the Non-Consolidated Financial Statements, the Company will announce such amendment on the Company's website (<http://www.secom.co.jp/>).

[Attached Documents]

## Business Report (Fiscal Year Ended March 31, 2011)

### I. Outline of the Group's Business

#### 1. The Current Business Development and Results of Operations

During the consolidated fiscal year ended March 31, 2011 (“the current fiscal year”), despite uncertainties due to continuous high unemployment rate, appreciation of Japanese yen, deflation, etc., Japanese economy indicated signs of recovery such as improvement of corporate earnings and capital investments, which were led by trend of recovery in global economy and various economic stimulus packages. However, the Great East Japan Earthquake on March 11, 2011 has made future Japanese economy uncertain.

We, the Secom Group (“the Group”), continue doing our utmost to assist those affected by the Great East Japan Earthquake in order to enable their prompt recovery and reconstruction. Just after the earthquake occurred, we donated masks and hand disinfectant to keep clean sanitary condition in refuges as well as dispatched special medical teams from affiliated hospitals. We will continue our supports, corresponding to the progress of the restoration.

In these environments, we have been continuously trying to satisfy the increasingly diverse and sophisticated needs of our customers for their safety and peace of mind, with the aim of realizing our vision of the establishment of “Social System Industry,” a society where everyone can live safe and secure anytime and anywhere. To this end, we have made efforts to develop and provide high-grade products and services suited to customer needs mainly in our security services segment, as well as in our fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services segments.

As a result, consolidated revenue for the current fiscal year increased by 1.4% to Yen 663.8 billion, compared with the previous fiscal year. Consolidated operating profit also increased by 0.6% to Yen 99.1 billion, and consolidated ordinary profit went up by 11.5% to Yen 109.6 billion due to gain on private equity investments of Yen 5.7 billion (loss of Yen 3.0 billion in the previous fiscal year.). Net income rose by 27.8% to Yen 60.8 billion.

(Millions of Yen)

	Revenue	Operating profit	Ordinary profit	Net income
Current fiscal year (FY2010)	663,887	99,141	109,674	60,846
Previous fiscal year (FY2009)	654,678	98,539	98,327	47,611

A breakdown by business segments is as follows:

In the security services segment, we provided customers chiefly with commercial and residential security services (on-line security systems), as well as static guard services, armored car services and merchandises.

In the current fiscal year, we strived to improve customer satisfaction by introducing various distinct systems and merchandises applied with our unique technologies of image processing and voice processing, visiting not only new customers but existing customers by our dedicated team, presenting new security systems and products, and so forth.

[English Translation]

Outside Japan, we promoted to make our security services more popular in economically developing areas, including People's Republic of China, Southeast Asia, etc.

As a result, operating profit in the third quarter (quarterly basis) has shown an increase over that of the previous corresponding period, an improving trend. However, due to the effect of the Great East Japan Earthquake, which caused decrease in revenue by restriction of sales promotion in affected Eastern Japan regions and nation-wide decline in motivation for consumption and capital investment mainly in the Tokyo metropolitan area, and increase in operating expenses from restoration works in affected areas and other factors, although revenue increased by Yen 0.1 billion to Yen 414.7 billion, operating profit decreased by 1.8% to Yen 98.5 billion.

In the fire protection services segment, we provided a broad range of fire protection systems such as high-quality fire alarm systems and fire extinguishing systems along with customers' needs to a wide variety of facilities such as office buildings, production facilities, tunnels, cultural properties, ships and residences. Despite our attempt to contribute to create a safe environment of customers and improve our revenue base by advancing our credibility, renovating our technologies and production, and enriching productive function, revenue decreased by 6.2% to Yen 75.1 billion and operating profit decreased by 31.5% to Yen 3.0 billion due to the shrinkage of market caused by prolonged recession.

In the medical services segment, we provided various medical services such as our core home medical services, including home nursing services and pharmaceutical dispensing and home delivery services, operation of residences for seniors, sales of electronic medical report systems, sales of medical equipment, personal care services, and the leasing of real estate for medical institutions. Revenue increased by 5.9% to Yen 39.9 billion and operating profit increased by 10.9% to Yen 2.7 billion. These results were attributable to brisk revenue from home medical services and sales of medical equipment.

In the insurance services segment, we expanded marketing efforts for our unique non-life insurance offerings, including Security Discount Fire Policy for commercial facilities and the comprehensive fire insurance policy, SECOM *Anshin My Home*, for residences, which offer discounts on premiums to customers who have installed on-line security systems, recognizing such systems as a risk-mitigating factor; New SECOM *Anshin My Car*, a comprehensive automobile insurance policy that offers on-site support services provided by our emergency response personnel in the event of an accident; and MEDCOM, an unrestricted cancer treatment policy aiming at helping patients overcome cancer by giving access to the best treatments. Also, we improved the competitiveness of SECOM *Anshin My Home* by detailing the compensation plan and enriching its discount policy. Strong sales increased revenue by 1.2% to Yen 32.0 billion, although operating loss was Yen 0.9 billion compared to Yen 36 million in the previous fiscal year, owing to increase in provision for reserve for outstanding claims, resulting from the Great East Japan Earthquake.

In the geographic information services segment, by exploiting up-to-date measuring machine and technologies, we provided geospatial data services for domestic national and local governmental agencies, private sectors, and foreign governmental agencies including emerging and developing countries. By collecting high-precision and clear geospatial photo data and utilizing our data processing technologies, we also strived to provide a variety of services suited to our customers' needs, including mapping arrangement, environmental monitoring, fire protection, and measures to deal with natural calamities. We also contributed to provide a variety of information related to the Great East Japan Earthquake. Revenue increased by 3.9% to Yen 43.5 billion owing to increase in revenue of

[English Translation]



overseas operations and acquisition of a surveying company, Tobu Keikaku Co., Ltd. Operating profit also increased by 37.4% to Yen 3.3 billion, as a result of promotion of in-house production and strict process control.

In the real estate development and sales segment, we devoted our best efforts to developing and selling condominiums equipped with advanced security and contingency planning features. Amid a slump in the market for condominiums, we actively promoted to sell to customers not approached in the past, as well as made appropriate price revision along the market continuing from the previous fiscal year. Revenue went up by 87.0% to Yen 24.8 billion owing to increase in sales of large-scale condominiums etc. and operating loss of Yen 3.1 billion in the previous fiscal year turned into operating profit of Yen 0.4 billion.

The information and communication related and other services segment covers information and communication related services, real estate leasing, etc. In the information and communication related services, we have continued striving to provide comprehensive information network services, focusing on information security, development and management of business systems and major-disaster response services. We enhanced our information and communication related services by establishing a new “Secure Data Center,” which combined our know-how and responded to increasing demands for data centers, and presenting “Initial Response Operations Service” and “SECOM Emergency Contact Network Service,” the lineup of services offered utilizing the service base of the “SECOM Safety Confirmation Service.” Due to the divestiture of Japan Image Communications Co., Ltd. in August 2009, which earned Yen 1.9 billion of revenue in the previous fiscal year, revenue decreased by 4.9% to Yen 33.6 billion and operating profit decreased by 12.3% to Yen 3.4 billion.

#### Results by Business Segment (50th Fiscal Year – current fiscal year)

(Millions of Yen)

Business segment	Revenue			Operating profit (loss)
	Customers	Inter-segment	Total	
Security services	414,745	9,408	424,154	98,575
Fire protection services	75,176	4,886	80,063	3,055
Medical services	39,967	150	40,117	2,722
Insurance services	32,030	2,634	34,665	(977)
Geographic information services	43,539	167	43,706	3,343
Real estate development and sales	24,816	95	24,911	444
Information and communication related and other services	33,612	6,363	39,975	3,483
Total	663,887	23,706	687,594	110,646
Eliminations and corporate items	-	(23,706)	(23,706)	(11,504)
Consolidated revenue	663,887	-	663,887	99,141

With respect to the results by geographical segments, in Japan, revenue increased by 0.8% to Yen 638.4 billion. Overseas revenue increased by 19.4% to Yen 25.4 billion due to promoting our security services in regions and countries such as Southeast Asia and China, whose economies are continuously expanding.

## **2. Issues the Group Has to Cope with**

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

In view of this situation, the Group is aiming to realize a "Social System Industry" through providing various services and products, mainly in our core security services, and also in fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services, that can help realize more secured, convenient, and comfortable society. Moreover, by combining these services and products, the Group endeavors to create and supply unique services and products, which would not be able to realize without such combination. To this end, we are striving to develop and provide customer-oriented services and high-quality systems that can earn the trust of our customers. Simultaneously we are working to provide comprehensive services by maximizing the Group's capabilities. In November 2010, the Group declared the slogan, "ALL SECOM." With the basic message to "Further rally all of the Group's strength," each and every employee of the Group has been actively working in order to maximize the strength of the Group by promoting greater cooperation than ever among the various businesses it has developed. Additionally, the Group aims to further instigate growth by leveraging its know-how accumulated through its business in Japan and using it to aggressively develop businesses overseas. The Group is also uncompromising in its efforts to pursue business efficiency through unremitting business improvements. The Company and Secom Techno Service Co., Ltd., at their respective meetings of the Board of Directors held on May 11, 2011, resolved to conduct an absorption-type merger, with the Company being the surviving company and Secom Techno Service Co., Ltd. being the absorbed company, to be effective July 1, 2011 (scheduled). Through this merger, the Company seeks to enhance the security service business, which is the core of the Group, as well as further improve the quality of the installation business and the building maintenance business.

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

## **3. Capital Investments**

Capital investment for the current fiscal year totaled Yen 43.9 billion (a breakdown is given below). A major portion was for system investments (including those for security equipment and control stations) etc. in the security services segment, which totaled to Yen 29.8 billion.

Business segment	Amount (Millions of Yen)
Security services	29,882
Fire protection services	4,011
Medical services	2,899
Insurance services	1,048
Geographic information services	3,108
Real estate development and sales	18
Information and communication related and other services	3,479
Subtotal	44,449
Eliminations and corporate items	(527)
Total	43,921

#### 4. Fund Raising

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

#### 5. Trends in Earnings and Assets

##### (1) Trends in Earnings and Assets of the Group (Consolidated)

(Millions of Yen except for net income per share)

Fiscal years Category	47th fiscal year (4/1/2007– 3/31/2008)	48th fiscal year (4/1/2008– 3/31/2009)	49th fiscal year (4/1/2009– 3/31/2010)	50th fiscal year (current fiscal year) (4/1/2010– 3/31/2011)
Revenue	682,619	678,400	654,678	663,887
Operating profit	104,706	87,634	98,539	99,141
Ordinary profit	114,278	90,924	98,327	109,674
Net income	61,506	21,502	47,611	60,846
Net income per share (Yen)	273.40	96.69	218.37	279.07
Total assets	1,202,840	1,090,483	1,081,679	1,094,400
Net assets	630,274	582,608	625,153	654,055

(2) Trends in Earnings and Assets of the Company (Non-Consolidated)

(Millions of Yen except for net income per share)

Fiscal years Category	47th fiscal year (4/1/2007– 3/31/2008)	48th fiscal year (4/1/2008– 3/31/2009)	49th fiscal year (4/1/2009– 3/31/2010)	50th fiscal year (current fiscal year) (4/1/2010– 3/31/2011)
Revenue	337,611	336,893	328,773	329,297
Operating profit	74,155	72,616	71,527	68,688
Ordinary profit	79,187	78,346	77,462	74,501
Net income	50,046	32,414	45,806	45,023
Net income per share (Yen)	222.46	145.76	210.09	206.50
Total assets	673,043	679,858	668,207	694,656
Net assets	521,529	504,932	532,931	558,417

In the current fiscal year, the Company's revenue increased by 0.2% to Yen 329.2 billion, operating profit fell by 4.0% to Yen 68.6 billion, ordinary profit decreased by 3.8% to Yen 74.5 billion, and net income decreased by 1.7% to Yen 45.0 billion. Net income per share decreased to Yen 206.50 compared to Yen 210.09 in the previous fiscal year.

Contract revenue accounted for 88.1% of total revenue, or Yen 290.2 billion, and sale of products and equipment accounted for 11.9% of total revenue, or Yen 39.0 billion.

Revenue from centralized system contracts, which is the core of revenue and profit in contract revenue, recorded Yen 239.3 billion and accounted for 72.7% of total revenue. Static guard contracts generated revenue of Yen 24.8 billion, and revenue from armored car services came to Yen 16.9 billion. The remaining revenue amounted to Yen 9.1 billion, the majority of which came from fees paid by subsidiaries and other companies for advisory services.

Product sales totaled Yen 27.8 billion, 8.5% of total revenue, and equipment sales to subsidiaries and other companies totaled Yen 11.2 billion, 3.4% of total revenue.

Sales and general administrative expenses were Yen 69.3 billion and operating profit was Yen 68.6 billion.

Non-operating income was Yen 8.8 billion, which included interest and dividends received, while non-operating expenses, including interest paid and losses on sales and disposal of fixed assets, totaled Yen 3.0 billion. As a result, ordinary profit was Yen 74.5 billion.

In the current fiscal year, extraordinary losses were Yen 2.6 billion, including the effect of adoption of accounting standard for asset retirement obligations of Yen 0.8 billion. As a result, net income came to Yen 45.0 billion.

Revenue by Business Category of the Company

Fiscal years Category		48th fiscal year (4/1/2008–3/31/2009)			49th fiscal year (4/1/2009–3/31/2010)			50th fiscal year (Current fiscal year) (4/1/2010–3/31/2011)		
		Amount (Millions of Yen)	%	Change (%)	Amount (Millions of Yen)	%	Change (%)	Amount (Millions of Yen)	%	Change (%)
Contract revenue	Centralized systems	241,618	71.7	1.3	240,417	73.1	(0.5)	239,311	72.7	(0.5)
	Static guard services	25,809	7.7	1.3	24,781	7.5	(4.0)	24,815	7.5	0.1
	Armored car services	17,456	5.2	4.6	17,040	5.2	(2.4)	16,973	5.1	(0.4)
	Other	9,502	2.8	(11.0)	9,086	2.8	(4.4)	9,151	2.8	0.7
	Subtotal	294,386	87.4	1.0	291,325	88.6	(1.0)	290,252	88.1	(0.4)
Sales	Products	30,987	9.2	(2.9)	26,788	8.2	(13.6)	27,808	8.5	3.8
	Equipment	11,518	3.4	(19.8)	10,659	3.2	(7.5)	11,236	3.4	5.4
	Subtotal	42,506	12.6	(8.1)	37,447	11.4	(11.9)	39,045	11.9	4.3
Total		336,893	100.0	(0.2)	328,773	100.0	(2.4)	329,297	100.0	0.2

## 6. Matters Concerning Principal Subsidiaries

Company name	Issued capital	Percentage of ownership (Percentage of voting rights)	Principal business activities
Secom Joshinetsu Co., Ltd.	(Millions of Yen) 3,530	(%) 50.87 (50.88)	Security and safety services
Secom Techno Service Co., Ltd.	(Millions of Yen) 2,357	(%) 97.09 (97.14)	Installation and maintenance of security systems
Nohmi Bosai Ltd.	(Millions of Yen) 13,302	(%) 50.36 (50.93)	Comprehensive fire protection services
Secom Medical System Co., Ltd.	(Millions of Yen) 6,545	(%) 100.00 (100.00)	Home medical services and remote image diagnosis support services
Secom General Insurance Co., Ltd.	(Millions of Yen) 16,808	(%) 97.11 (97.82)	Non-life insurance
Pasco Corporation	(Millions of Yen) 8,758	(%) 69.84 (72.95)	Surveying, measuring and geographic information system services
Secom Home Life Co., Ltd.	(Millions of Yen) 3,700	(%) 99.94 (99.95)	Development and sales of real estate
Secom Trust Systems Co., Ltd.	(Millions of Yen) 1,468	(%) 100.00 (100.00)	Information security services and software development
The Westec Security Group, Inc.	(US\$) 301	(%) 100.00 (100.00)	Holding company in the U.S.
Secom Plc	(Thousands of UK Pounds) 39,126	(%) 100.00 (100.00)	Security business in the U.K.

(Notes)

1. The percentages of ownership (percentages of voting rights) are truncated to two decimal places.
2. The percentages of ownership (percentages of voting rights) for Secom Joshinetsu Co., Ltd. and Nohmi Bosai Ltd. include those owned by the Company's subsidiaries.
3. The Company conducted a tender offer for the shares of common stock issued by Secom Techno Service Co., Ltd. from February 9, 2011 to March 24, 2011. As a result, the Company's ownership percentage of Secom Techno Service Co., Ltd. increased from 67.79% to 97.09%.

[English Translation]

The Company and Secom Techno Service Co., Ltd. will conduct an absorption-type merger to be effective on July 1, 2011 (scheduled), with the Company being the surviving company and Secom Techno Service Co., Ltd. being the absorbed company.

## **7. Principal Business of the Group**

The Group consists of the Company, 166 consolidated subsidiaries and 26 affiliates accounted for under the equity method. The principal business activities of the Group are as follows: Security Services centering on contracted security services; Fire Protection Services centering on comprehensive fire protection services; Medical Services, focusing on home medical services and management of residence for seniors; Insurance Services consisting mainly of non-life insurance; Geographic Information Services that mainly entails the provision of surveying and measuring operations; Real Estate Development and Sales centering on development and sales of condominiums; and Information and Communication Related and Other Services, including security network services, development and operation of business systems and information security services.

## **8. Principal Offices of the Group**

- (i) Headquarters of the Company:  
5-1, Jingumae 1-chome, Shibuya-ku, Tokyo
- (ii) Regional Headquarters:  
Hokkaido (Sapporo City), Tohoku (Sendai City), West Kanto (Saitama City), East Kanto (Chiba City), Tokyo (Bunkyo-ku, Tokyo), Metropolitan Static Guard Service (Shinjuku-ku, Tokyo), Metropolitan Armored Car Service (Shibuya-ku, Tokyo), Kanagawa (Yokohama City), Shizuoka (Shizuoka City), Chubu (Nagoya City), Kinki (Kyoto City), Osaka (Osaka City), Kansai Static Guard Service (Osaka City), Hyogo (Kobe City), Chugoku (Hiroshima City), Shikoku (Takamatsu City), Kyushu (Fukuoka City).
- (iii) Domestic Subsidiaries:  
Secom Joshinetsu Co., Ltd. (Niigata City), Secom Techno Service Co., Ltd. (Nakano-ku, Tokyo), Nohmi Bosai Ltd. (Chiyoda-ku, Tokyo), Secom Medical System Co., Ltd. (Shibuya-ku, Tokyo), Secom General Insurance Co., Ltd. (Chiyoda-ku, Tokyo), Pasco Corporation (Meguro-ku, Tokyo), Secom Home Life Co., Ltd. (Shibuya-ku, Tokyo), Secom Trust Systems Co., Ltd. (Shibuya-ku, Tokyo), Arai & Co., Ltd. (Shibuya-ku, Tokyo).
- (iv) Overseas Subsidiaries:  
The Westec Security Group, Inc. (Dover, Delaware, USA), Secom Plc (Kenley, Surrey, UK), Secom (China) Co., Ltd. (Beijing, China).

## 9. Matters Concerning Employees of the Group and the Company

### (1) Matters Concerning Employees of the Group

Number of employees	Increase from the end of the previous fiscal year
33,807	122

### (2) Matters Concerning Employees of the Company

Number of employees	Decrease from the end of the previous fiscal year	Average age	Average years of service
13,651	114	40.4	13.6

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

## 10. Principal Lenders

(Millions of Yen)

Lenders	Balance
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	14,918
Mizuho Bank, Ltd.	11,768
Sumitomo Mitsui Banking Corp.	10,295
Mitsubishi UFJ Trust and Banking Corp.	8,993

## 11. Other Important Matters Concerning the Group

The Company and Secom Techno Service Co., Ltd. ("Secom Techno"), a consolidated subsidiary of the Company, resolved at their respective meetings of the Board of Directors held on February 8, 2011, that the Company would acquire shares of Secom Techno through a tender offer for the purpose of enhancing the corporate value of Secom Techno and the entire Group through the realization of maximum synergy and the acceleration of efforts toward the establishment of the "Social System Industry," by means of conducting the management integration.; and conducted a tender offer for the shares of common stock issued by Secom Techno during the period from February 9, 2011 through March 24, 2011.

As a result of the above tender offer, the Company's ownership percentage of voting rights out of the total number of issued shares of Secom Techno (excluding the treasury stocks held by Secom Techno) increased from 67.85% (as of March 31, 2010) to 97.14%.

Additionally, the Company and Secom Techno resolved at their respective meetings of the Board of Directors held on May 11, 2011, to conduct an absorption-type merger, with the Company being the surviving company and Secom Techno being the absorbed company; and entered into a merger agreement as of the same date. The scheduled effective date of the merger is July 1, 2011.



## II. Matters Concerning the Company's Shares and Shareholders

- 1. Total Number of Shares to be Issued:** 900,000,000
- 2. Total Number of Issued Shares:** 233,288,717  
(including 15,258,553 shares of treasury stock held by the Company)
- 3. Number of Shareholders at the End of the Fiscal Year:** 30,338
- 4. Number of Shares Constituting a Unit of Shares:** 100 shares
- 5. Major Shareholders (Top 10)**

Name of Shareholders	Number of shares held (Thousands of Shares)	Percentage of ownership (%)
The State Street Bank and Trust Company	24,431	11.20
Japan Trustee Services Bank, Ltd. (Trust Account)	12,653	5.80
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,495	5.73
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052098)	6,153	2.82
Makoto Iida	4,320	1.98
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052088)	4,148	1.90
Secom Science and Technology Foundation	4,025	1.84
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	3,997	1.83
JPMorgan Securities Japan Co., Ltd.	3,791	1.73
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,196	1.46

(Notes)

- The Company holds treasury stock of 15,258,553 shares although it is not included in the table above. The percentage of ownership is calculated on the basis of the total number of shares outstanding after excluding treasury stock. The percentage of ownership is truncated to two decimal places.
- In the case of the trust banks listed above, banking business-related shares and trust service-related shares are registered under different register names. Therefore, the number of shares held under the register name of banking business is registered separately.

### III. Directors and Corporate Auditors

#### 1. Names and Titles of Directors and Corporate Auditors

(As of March 31, 2011)

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

(Notes)

1. Messrs. Ken Tsunematsu, Hiroshi Yasuda and Kohei Yamashita are Outside Corporate Auditors as stipulated in Article 2 Item 16 of the Companies Act.
2. The Corporate Auditor, Mr. Teruo Ogino had been in charge of the Company's financial affairs for 11 years and has considerable knowledge of finance and accounting matters.
3. The Corporate Auditor, Mr. Ken Tsunematsu, has for many years been involved in securities issuance businesses for domestic and overseas companies, public institutions, organizations, etc. as an attorney-at-law. He has experienced in the analysis and evaluation of the financial statements of these issuers, and has considerable knowledge of finance and accounting matters.
4. There are no special interests between the Company and other corporations employing Outside Corporate Auditors Messrs. Ken Tsunematsu, Hiroshi Yasuda and Kohei Yamashita.
5. The notice of Outside Corporate Auditor, Mr. Ken Tsunematsu being an independent officer was submitted to Tokyo Stock Exchange, Inc. and Osaka Securities Exchange Co., Ltd.

〈Reference〉

Executive Officers who are not Directors are as follows:

(As of June 1, 2011)

Title	Name
Managing Executive Officer	Shunji Ogahara, Naohide Nakamura
Executive Officer	Minoru Takaoka, Hideo Morishita, Tsuneo Komatsuzaki, Ryohei Komatsu, Yukio Tsunoda, Masahiro Takeda, Teruhisa Yoshimura, Keitaro Arai, Yasuyuki Yoshida, Tatsuro Fuse, Hiromichi Sonoda

(Notes)

1. Executive Officer Mr. Naohide Nakamura was appointed to Managing Executive Officer as of April 1, 2011.
2. Senior Managing Executive Officer Mr. Katsuo Akiyama and Executive Officer Mr. Teruo Kano were retired from Executive Officer, respectively, as of March 31, 2011.
3. Managing Executive Officer Mr. Seiichi Mori was retired from Executive Officer as of May 31, 2011.
4. Mr. Hiromichi Sonoda was appointed to Executive Officer as of June 1, 2011.

## 2. Remuneration of Directors and Corporate Auditors

	Number of Recipients	Combined total of remuneration (Millions of Yen)
Directors	11	471
Corporate Auditors	4	44
Total	15	516

(Notes)

1. In the table shown above, the total combined remuneration for the 3 Outside Corporate Auditors is Yen 24 million.
2. The Directors' bonuses of Yen 63 million paid for the current fiscal year are included in the total amount of remunerations of Directors shown above.
3. The total amount of remunerations of Directors and Corporate Auditors shown above includes Yen 57 million (Yen 56 million to Directors and Yen 1 million to Corporate Auditors (Yen 0 to Outside Corporate Auditors), respectively) which is accrued to retirement benefits for Directors and Corporate Auditors, which were appropriated in the current fiscal year.

### 3. Outside Corporate Auditors

Name	Attendance of the Meetings of the Board of Directors	Attendance of the Meetings of the Board of Corporate Auditors	Main Activities
Ken Tsunematsu	13 (out of 13)	12 (out of 12)	He has high level of insight to corporate legal matters and knowledge about management and interests between stakeholders through many domestic and international securities issuing projects and abundance of experience in the area of finance and accounting, which were cultivated in many years as attorney-at-law. He primarily offered advice and suggestions at the Board of Directors Meeting in order to ascertain the validity and/or appropriateness of operations and management.
Hiroshi Yasuda	9 (out of 13)	10 (out of 12)	He offered advice and suggestions at the Board of Directors Meeting based on his ample experience and insights of company management and directorships gained from previously held positions. He also asked questions and stated opinions in order to clarify unclear issues. In addition, with respect to the meetings for which he was absent, he received from the full-time Corporate Auditor detailed reports on the resolutions of the meetings so as to remain fully informed.
Kohei Yamashita	13 (out of 13)	12 (out of 12)	He offered advice and suggestions at the Board of Directors Meeting based on his ample experience and insights of managing a global corporation. He also asked questions and stated opinions in order to clarify unclear issues.

#### **IV. Accounting Auditors**

##### **1. Name of Accounting Auditors**

KPMG AZSA LLC

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

##### **2. Remuneration of Accounting Auditors**

(1) Remuneration for duties relating to Article 2 Paragraph 1 of Certified Public Accountants Act to be paid by the Company	Yen 172 million
(2) Total cash and other remuneration to be paid by the Company and subsidiaries to the Accounting Auditors	Yen 504 million

(Notes)

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

##### **3. Non-Audit Duties**

Not Applicable

##### **4. Policy for Decision for Dismissal or Non-reappointment**

Whenever there occurs any material event which could be a substantial hazard to the performance of audit duties of the Company, such as a case when it is deemed that the Accounting Auditors have come to fall within the purview of Article 340 Paragraph 1 of the Companies Act or the Accounting Auditors or the firm of Accounting Auditors is subjected to the disposition of suspension of business by the supervisory authorities, the Board of Corporate Auditors will examine the situation, and, when all Corporate Auditors have consented thereto, the Corporate Auditor will take action for the dismissal of the subject Accounting Auditors or the subject firm of Accounting Auditors. In such case, the Corporate Auditor selected by the Board of Corporate Auditors will report the reasons for the dismissal at the general meeting of shareholders convened for the first time after such dismissal.

In any other case, when there exists any situation where it is acknowledged that the Accounting Auditors are not fit to act as Accounting Auditors, a proposal will, with the consent of the Board of Corporate Auditors, be submitted to the general meeting of shareholders for the dismissal or non-reappointment of the Accounting Auditors.

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

### **1. Basic Policy Regarding Internal Control System**

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

#### **(1) General**

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

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

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

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

(Ensuring compliance)

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

(Executive officers in charge)

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

(Inspection)

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

(Whistleblower System)

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

(Organizational Culture Committee)

The Company establishes a standing, active Organizational Culture Committee, chaired by the President and Representative Director. The Organizational Culture Committee examines important organizational culture-related issues (including compliance-related matters), which are the cornerstone of developing and maintaining the corporate organization, and determines important official commendations and punishments.

- (ii) Revisions of *SECOM Group Code of Employee Conduct* and/or critical compliance-related matters are undertaken after discussion with the Organizational Culture Committee and subject to the approval of the Board of Directors after obtaining opinions of the Corporate Auditors.
- (iii) Basic plans and policies concerning internal controls related to financial reporting are determined in accordance with the standards of the Business Accounting Council. Furthermore, an internal control



system is being developed by reinforcing information security and through other steps.

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

- (i) Documents and other information regarding execution of duties such as those concerned with decision making (hereinafter referred to as the “information on executing duties”) shall be properly maintained, administered (including destruction) pursuant to the Document Administration Regulation of the Company, which will be amended upon reviewing the operating conditions if necessary.
- (ii) Information on executing duties shall be recorded on database with necessary information protection measure so that a search system can be established to enable quick search as to whether or not the particular document exists or the condition of storage of the particular document.
- (iii) Any business related to the preceding two paragraphs shall be undertaken by officers in charge, and in particular the status of examination and review of (i) above, and operation and management of the database of (ii) above shall be reported to the President and Representative Director, the Board of Directors, and the Board of Corporate Auditors.
- (iv) Establishment and important amendments of the Regulation regarding (i) above shall be subject to approval of the Board of Directors after obtaining opinions of the Corporate Auditors.

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

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

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

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

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

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

- (i) Abiding by the “Constitution of SECOM’s Business and Operation,” each of the companies of the SECOM Group shares *SECOM Group Code of Employee Conduct*, which applies to all executives and employees. United by these guidelines, the executives and employees work to accomplish the corporate goals in an appropriate manner.
- (ii) The “Basic Rules for SECOM Group Corporate Management” provide guidelines to enhance Group synergy, leading to the achievement of the business vision by the entire SECOM Group. Covering critical decision-making by the companies, these basic rules clarify the coordination of items to be approved in prior consultation with the parent company and ensure the acknowledgement of such important items.
- (iii) Each of the companies of the SECOM Group carries out IT controls covering administration and management information in conformance with the “Basic Policy of the SECOM Group for Information Security.” The Company’s IT executive officers conduct timely inspections covering the IT management of major subsidiaries.
- (iv) The “SECOM Group Management Committee,” which is chaired by the Company’s President and Representative Director and whose members are composed of the presidents of subsidiaries and other parties appointed by the chairperson, works to ensure that appropriate operations are carried out. It accomplishes this goal by conducting discussions of issues related to the Group’s internal controls in an effort to share Group information and operating philosophy. The President and Representative Director reports the results of the Group Management Committee to the Board of Directors and the Board of Corporate

Auditors.

- (v) The President and Representative Director issues orders to the Audit and Compliance Department and the supervising executive officers at Group companies to inspect subsidiaries, if necessary. The subsidiaries accept the inspection by the Company, which is the parent company, and at the same time promote the understanding of compliance-related issues by exchanging information with the Company.
- (vi) The Corporate Auditors of the Company visit important subsidiaries and conduct audits regarding internal controls.
- (vii) A liaison meeting with Group Corporate Auditors is established after discussion with the Board of Corporate Auditors in an attempt to share information.

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

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

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

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

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

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

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

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

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

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

[English Translation]

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

## **2. Organizations etc. Relating to Internal Control System (as of May 1, 2011)**

The Company's governance system is as follows: The Board of Directors makes decisions on business execution and other company matters; executive officers led by President and Representative Director execute business; and Corporate Auditors, including 3 Outside Corporate Auditors, and the Board of Directors, coordinating with internal audit departments etc. audit and oversee Directors and executive officers in the execution of their duties. More details are provided below.

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

#### **(i) Directors and Board of Directors**

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

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

#### **(ii) Executive Officers**

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

There are 20 Executive Officers, including 7 Directors.

#### **(iii) Corporate Auditors and Board of Corporate Auditors**

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

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

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

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

Major Activities in the current fiscal year

- (i) Corporate Auditors' attendance rate at meetings of the Board of Directors: 92.3%
- (ii) Corporate Auditors' attendance rate at meetings of the Board of Corporate Auditors: 95.8%
- (iii) Conducted interviews with Directors etc. of the Company and its subsidiaries and affiliates: 46 times
- (iv) Conducted on-site audits at business locations of the Company, its subsidiaries, affiliates, etc.: 145 locations

**(2) Coordination among Organizations and Business Units**

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

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

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

Corporate Auditors hold periodical meetings with Accounting Auditors 6 times a year and have ones additionally as necessary, and exchange opinions and information. Corporate Auditors and the Board of Corporate Auditors receive explanation and exchange opinions regarding the audit plan and audit results\* from the Accounting Auditors. In addition, Corporate Auditors present themselves as a witness during visiting audits and audit review conducted by the Accounting Auditors as necessary. (Witness frequency: 32 times in the current fiscal year)

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

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

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

## Consolidated Balance Sheet

(As of March 31, 2011)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<b><u>ASSETS</u></b>		<b><u>LIABILITIES</u></b>	
<b>Current assets:</b>	<b>486,284</b>	<b>Current liabilities:</b>	<b>202,074</b>
Cash on hand and in banks	172,958	Notes and accounts payable, trade	25,959
Cash deposits for armored car services	56,546	Bank loans	47,426
Call loans	29,500	Current portion of straight bonds	2,914
Notes and accounts receivable, trade	73,956	Lease obligations	354
Due from subscribers	22,754	Payables – other	22,857
Short-term investments	7,313	Accrued income taxes	19,353
Lease receivables and investment in leased assets	15,433	Accrued consumption taxes	2,850
Inventories	21,057	Accrued expenses	3,792
Real estate inventories	59,778	Deferred revenue	30,582
Deferred income taxes	12,216	Accrued bonuses	11,925
Short-term loans receivable	3,908	Reserve for losses on construction contracts	530
Other	12,566	Other	33,527
Allowance for doubtful accounts	(1,704)		
<b>Fixed assets:</b>	<b>607,998</b>	<b>Long-term liabilities:</b>	<b>238,270</b>
<b>Tangible assets:</b>	<b>282,715</b>	Straight bonds	14,091
Buildings and improvements	102,855	Long-term loans	21,586
Security equipment and control stations	63,490	Lease obligations	3,080
Land	97,730	Guarantee deposits received	38,091
Other	18,638	Deferred income taxes	8,909
<b>Intangible assets:</b>	<b>25,553</b>	Accrued pension and severance costs	13,097
Software	14,828	Accrued retirement benefits for directors and corporate auditors	2,433
Goodwill	7,095	Investment deposits by policyholders, unearned premiums and other insurance liabilities	135,498
Other	3,629	Other	1,481
<b>Investments and others:</b>	<b>299,729</b>	<b>Total liabilities</b>	<b>440,344</b>
Investment securities	188,001	<b><u>NET ASSETS</u></b>	
Long-term loans receivable	47,576	<b>Shareholders' equity:</b>	<b>624,255</b>
Long-term prepaid expenses	18,489	Common stock	66,377
Prepaid pension and severance costs	18,730	Capital surplus	83,054
Deferred income taxes	20,110	Retained earnings	549,747
Other	24,932	Common stock in treasury, at cost	(74,923)
Allowance for doubtful accounts	(18,111)	<b>Accumulated other comprehensive income:</b>	<b>(32,010)</b>
<b>Deferred assets:</b>	<b>117</b>	Unrealized gains on securities	2,192
Other	117	Deferred losses on hedges	(35)
		Foreign currency translation adjustments	(34,166)
		<b>Minority interests in subsidiaries:</b>	<b>61,810</b>
		<b>Total net assets</b>	<b>654,055</b>
<b>TOTAL ASSETS</b>	<b>1,094,400</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,094,400</b>

## Consolidated Statement of Income

(Fiscal Year from April 1, 2010 to March 31, 2011)

(Millions of Yen)

ITEM	AMOUNT	
<b>Revenue</b>		<b>663,887</b>
Costs of revenue	423,983	
<b>Gross profit</b>		<b>239,904</b>
Selling, general and administrative expenses	140,762	
<b>Operating profit</b>		<b>99,141</b>
<b>Non-operating income:</b>		
Interest income	841	
Dividends income	345	
Gain on sales of investment securities	1,324	
Net gains from investment in affiliates accounted for under the equity method	4,638	
Gain on private equity investments	5,779	
Other	4,498	17,428
<b>Non-operating expenses:</b>		
Interest expenses	1,186	
Loss on sales of investment securities	1,488	
Loss on sales and disposal of fixed assets	1,464	
Write-off of long-term prepaid expenses	867	
Other	1,887	6,895
<b>Ordinary profit</b>		<b>109,674</b>
<b>Extraordinary profit:</b>		
Gain on redemptions of investment securities	1,164	
Gain on negative goodwill	172	
Gain on sales of investment securities	149	
Gain on sales of fixed assets	54	
Other	177	1,717
<b>Extraordinary losses:</b>		
Loss on impairment of investment securities	1,317	
The effect of adoption of accounting standard for asset retirement obligations	1,184	
Loss related to disasters	1,048	
Loss on sales of investment securities in subsidiaries and affiliates	954	
Loss on sales of fixed assets	45	
Loss on disposal of software	23	
Impairment losses on fixed assets	2	
Other	1,174	5,749
<b>Income before income taxes</b>		<b>105,642</b>
Income taxes – current	37,303	
Income taxes – deferred	1,383	38,686
<b>Net income before minority interests in subsidiaries</b>		<b>66,955</b>
Minority interests in subsidiaries		6,109
<b>Net income</b>		<b>60,846</b>



## Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2010 to March 31, 2011)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury, at cost	Total shareholders' equity
Balance as of March 31, 2010	66,377	83,054	507,434	(74,907)	581,959
<b>Changes during the period:</b>					
Cash dividends			(18,532)		(18,532)
Net income			60,846		60,846
Purchase of treasury stock				(16)	(16)
Disposal of treasury stock		(0)		0	0
Transfer of losses on disposal of treasury stock		0	(0)		—
Net changes of items other than shareholders' equity					
<b>Total changes during the period</b>	—	—	42,313	(16)	42,296
Balance as of March 31, 2011	66,377	83,054	549,747	(74,923)	624,255

	Accumulated other comprehensive income				Minority interests in subsidiaries	Total net assets
	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance as of March 31, 2010	4,521	(17)	(27,871)	(23,367)	66,562	625,153
<b>Changes during the period:</b>						
Cash dividends						(18,532)
Net income						60,846
Purchase of treasury stock						(16)
Disposal of treasury stock						0
Transfer of losses on disposal of treasury stock						—
Net changes of items other than shareholders' equity	(2,329)	(18)	(6,294)	(8,642)	(4,752)	(13,395)
<b>Total changes during the period</b>	(2,329)	(18)	(6,294)	(8,642)	(4,752)	28,901
Balance as of March 31, 2011	2,192	(35)	(34,166)	(32,010)	61,810	654,055

[English Translation]

## Notes to Consolidated Financial Statements

### Notes to Significant Items for Preparation of Consolidated Financial Statements

#### 1. Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 166

Names of major consolidated subsidiaries:

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

(2) Descriptions of Non-Consolidated Subsidiaries:

FM-International Laos Co., Ltd., Nohmi Kosaku Co., Ltd., Nohmi Facilities Co., Ltd., Nohmi Baoli (Beijing) Intelligent Fire Protection Co., Ltd., Eishin Denshi Co., Ltd. and 7 other companies

(The reason for exclusion from scope of consolidation)

All of these 12 non-consolidated subsidiaries are of a small size, so that the aggregate amounts of total assets, revenue, net income/loss (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) and others do not have a significant effect on the consolidated financial statements.

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

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

(The reason for not regarded as subsidiaries)

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

#### 2. Equity Method

(1) Number of equity method affiliates: 26

Names of major affiliates accounted for under the equity method:

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

(2) Number of non-equity method affiliates: 8

(The reason for not applying the equity method)

These 8 companies are not accounted for under the equity method because their effect on net income/loss (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) during the current fiscal year is insignificant and immaterial as a whole.

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

Global T&M Holdings, LLC

[English Translation]

(The reason for not regarded as an affiliate)

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

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

#### Consolidation

Newly consolidated subsidiaries: 9

Tobu Keikaku Co., Ltd. and 7 other companies (Acquisition)  
Secom Business Plus Co., Ltd. (Newly establishment)

Excluded from consolidation: 8

Koyu Co., Ltd. and 6 other companies (Liquidation)  
Kyushu Nohmi Engineering Co., Ltd. (Merger)

#### Equity Method

Exclusion from affiliates accounted for under the equity method: 4

IPC Pasco Lingtu Corporation and 1 other company (Liquidation)  
Tokyo Biso Kogyo Corporation (Divestiture)  
Wuhan Permanent Digit-all Development Co., Ltd. (Significance decreased due to dormancy)

### 4. Closing Dates of Consolidated Subsidiaries and Equity Method Affiliates

With respect to overseas consolidated subsidiaries, 8 U.S. subsidiaries such as The Westec Security Group Inc., 5 Australian subsidiaries such as Secom Australia Pty. Ltd., 4 U.K. subsidiaries such as Secom Plc, 15 Chinese subsidiaries such as Secom (China) Co., Ltd., P.T. Nusantara Secom Infotech, P.T. Secom Indopratama, Pasco Thailand Co., Ltd., Thaisecom Pitakkij Co., Ltd., Secom Vietnam Co., Ltd., Pasco Philippines Corp., FM-International Oy, Nohmi Taiwan Ltd., Base Aerofotogrametria E Projetos S.A., Pasco Do Brasil Participacoes Ltda., Aerodata International Surveys BVBA and Pasco International Europe B.V. close their book as of December 31 each year, and the financial statements as of this date are used for preparation of the consolidated financial statements.

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

With respect to equity method affiliates, 10 companies such as S1 Corporation and Taiwan Secom Co., Ltd. close their book as of December 31 each year, and the financial statements as of this date are used for preparation of the consolidated financial statements. While Koatsu Co., Ltd. closes its book as of September 30 each year, the financial statements prepared pursuant to the provisional closing of books conducted as of March 31 are used for preparation of the consolidated financial statements.

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

## 5. Significant Accounting Policies

### (1) Valuation policies and methods for significant assets

#### 1) Securities

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

#### b. Available-for-sale

##### Securities with fair value

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

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

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

##### Securities with no fair value

At cost, principally based on the moving average method

#### 2) Derivatives

Derivatives are stated at fair value.

#### 3) Inventories

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

#### 4) Real estate for sale

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

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

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

##### a. Security equipment and control stations

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

##### b. Other tangible fixed assets

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

Their main useful service lives are as follows:

Buildings and improvements: 22–50 years

Tools and equipment: 2–20 years

#### 2) Intangible Assets (except for leased assets)

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

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

#### 3) Leased Assets

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

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

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

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

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

4) Long-term Prepaid Expenses

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

(3)Basis for Significant Allowances

1) Allowance for Doubtful Accounts

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

2) Accrued Bonuses

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

3) Reserve for Losses on Construction Contracts

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

4) Accrued Pension and Severance Costs

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

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

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

5) Accrued Retirement Benefits for Directors and Corporate Auditors

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

#### (4) Revenue and Cost Recognition Policies

- 1) Revenue Recognition Policies for Construction Contracts  
Percentage-of-completion method is applied to construction contracts whose outcomes are deemed certain for progress until the end of the current fiscal year, and applies the completed-contract method to other construction contracts. The percentage of costs incurred to the estimated total cost is used for estimating the percentage of completion.
- 2) Recognition Policies for Revenue and Costs of Finance Leases  
Revenue and cost are recognized upon receipt of lease payments.

#### (5) Accounting for Major Hedges

- 1) Hedge Accounting Policy  
The Company principally applies deferred hedging accounting. The foreign currency denominated time deposits with forward exchange contract that fulfill requirements for appropriation treatment are accounted for using appropriation treatments. The interest rate swaps that fulfill requirements for exceptional treatments permitted for interest rate swaps are accounted for using exceptional treatments.
- 2) Hedging Instruments and Hedged Items  

<u>Hedging instruments:</u>	<u>Hedged items:</u>
Forward exchange contract	Foreign currency denominated time deposits
Interest rate swap	Loans payable
- 3) Hedging Policy  
The risks for forward currency rate and forward interest rate fluctuations are to be hedged principally pursuant to the risk management policy of the Company.
- 4) Assessment of Hedge Effectiveness  
Hedge effectiveness is assessed by comparing the cumulative totals of price fluctuations of the hedged items and hedging instruments from the beginning of hedging to the effective point of assessment, taking the changes of both the hedged items and hedging instruments into account. However, when an item is judged to fulfill requirements for exceptional treatments or appropriation treatments, the assessment of hedge effectiveness is omitted.

#### (6) Amortization of Goodwill and Negative Goodwill

Goodwill, and negative goodwill incurred before March 31, 2010 are amortized by the straight-line method over a 5–10 year period.

(7) Accounting for Consumption Tax etc.

Tax-exclusive method is adopted.

6. Changes in Significant Items for Preparation of Consolidated Financial Statements

(1) Accounting Standard for Asset Retirement Obligations

From the current fiscal year, the Company applied the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, issue on March 31, 2008).

This change resulted in a decrease in operating profit and ordinary profit by Yen 112 million, respectively, and in income before income taxes by Yen 1,297 million.

(2) Accounting Standard for Business Combinations and Others

From the current fiscal year, the Company applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on December 26, 2008), “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, issued on December 26, 2008), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, revised on December 26, 2008), “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, revised on December 26, 2008), and “Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures” (ASBJ Guidance No. 10, revised on December 26, 2008).

7. Changes of Presentations

(Consolidated Balance Sheet and Consolidated Statement of Changes in Net Assets)

From the current fiscal year, “Valuation, translation adjustments and others” in the consolidated balance sheet and the consolidated statement of changes in net assets is presented as “Accumulated other comprehensive income,” in accordance with the amendment of the Ordinance on Accounting for Companies.

(Consolidated Statement of Income)

- (i) From the current fiscal year, “Net income before minority interests” is presented in the consolidated statement of income in accordance with the amendment of the Ordinance on Accounting for Companies.
- (ii) “Loss on sales of investment securities,” which had been included in “Other” of non-operating expenses until the previous fiscal year, is listed separately in the current fiscal year as it exceeded 10% of the total non-operating expenses. “Loss on sales of investment securities” included in “Other” of non-operating expenses in the previous fiscal year was Yen 166 million.

**Notes to Consolidated Balance Sheet**

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

For financial institutions, the Company and some of the domestic consolidated subsidiaries provide cash collection from and cash filling to cash dispensers located outside of financial institution facilities. The balance of cash deposits for armored car services includes cash on hand and cash in banks representing a total of Yen 34,184 million connected with cash filling services, which is restricted in use by the Group. The short-term bank loan balance includes Yen 10,871 million financed for the cash filling services.

[English Translation]

Furthermore, the balance of cash deposits for armored car services includes Yen 22,361 million connected with cash collection administration services, which is also restricted in use by the Group. Also, the short-term bank loan balance includes Yen 18,514 million financed for the cash collection administration services.

2. Accumulated Depreciation of Tangible Assets

Accumulated Depreciation of Tangible Assets: Yen 316,984 million

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

(1) Assets Pledged as Collateral

	(Millions of Yen)
Cash on hand and in banks (time deposit)	1,793
Short-term loans receivables	19
Other - current assets (receivable - other)	673
Buildings and improvements	28,628
Land	25,537
Intangible assets (leasehold)	818
Investment securities	605
Long-term loans receivable	806
Other - investments and others (long-term deposit)	200
<u>Total</u>	<u>59,082</u>

(2) Collateral-related Liabilities

	(Millions of Yen)
Bank loans	5,932
Current portion of straight bonds	2,914
Straight bonds	14,091
Long-term loans	21,110
<u>Total</u>	<u>44,049</u>

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

4. Change in Holding Purpose of Real Estate Inventories

Yen 1,852 million was transferred from real estate inventories to land, due to a change in holding purpose.

5. Investment in Non-Consolidated Subsidiaries and Affiliates:

(Fixed assets)

Investment securities (stocks) Yen 36,986 million

6. Contingent Liabilities:

Guarantees of liabilities

for companies and individuals Yen 2,834 million

7. Presentation of Goodwill and Negative Goodwill

Goodwill and negative goodwill are presented in netted amount. Listed below are the amounts before the offset. (In millions of Yen)

Goodwill	8,629
<u>Negative goodwill</u>	<u>1,533</u>
Net amount	7,095



## Notes to Consolidated Statement of Income

### 1. Write-down on Real Estate Inventories

Included in Cost of Revenue Yen 1,481 million

## Notes to Consolidated Statement of Changes in Net Assets

### 1. Items Related to Issued Shares and Treasury Stocks

(Unit : 1 share)

	Number of shares at the end of the previous fiscal year	Increase in the number of shares in the current fiscal year	Decrease in the number of shares in the current fiscal year	Number of shares at the end of the current fiscal year
Issued shares				
Common stocks	233,288,717	—	—	233,288,717
Treasury stocks				
Common stocks	15,254,334	4,307	88	15,258,553

(Outline of reasons for change)

The increase of 4,307 in the number of common stocks is due to the purchase of shares constituting less than one unit.

The decrease of 88 in the number of common stocks is due to requests to sell such number of shares as will constitute, together with the shares constituting less than one unit of shares already held, one full unit.

## 2. Items Related to Dividends

### (1) Amount of Dividends Paid

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

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

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

Resolution	Classes of Shares	Source of dividend	Total amount of cash dividend (Millions of Yen)	Cash dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2011	Common stock	Retained earnings	19,622	90	March 31, 2011	June 27, 2011

## Notes to Financial Instruments

### 1. Items Related to Status of Financial Instruments

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

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

### 2. Items Related to Fair Values of Financial Instruments etc.

The amounts recognized on the consolidated balance sheet, fair values and corresponding differences as of March 31, 2011 are listed below. Items whose fair value has been deemed extremely difficult to identify are not included in the table below. (See Note 2)

(Millions of Yen)

	Amount recognized on the consolidated balance sheet	Fair value	Difference
(1)Cash on hand and in banks	172,958	172,958	-
(2)Cash deposits for armored car services	56,546	56,546	-
(3)Call loans	29,500	29,500	-
(4)Notes and accounts receivable, trade	73,956	73,956	-
(5)Due from subscribers	22,754	22,754	-
(6)Short-term investments and investment securities			
(i) Held-to-maturity debt securities	8,010	7,454	(555)
(ii) Investment securities in affiliates	25,105	61,259	36,154
(iii) Available-for-sale securities	139,966	139,966	-
(7)Lease receivables and investment in leased assets	15,433	15,858	425
(8)Short-term loans receivable	3,908		
Allowance for doubtful accounts	-		
	3,908	3,908	-
(9)Long-term loans receivable	47,576		
Allowance for doubtful accounts (*1)	(16,819)		
	30,757	31,262	505
<b>Total assets</b>	<b>578,896</b>	<b>615,426</b>	<b>36,529</b>
(1)Notes and accounts payable, trade	25,959	25,959	-
(2)Bank loans	47,426	47,426	-
(3)Payables - other	22,857	22,857	-
(4)Accrued income taxes	19,353	19,353	-
(5)Straight bonds	17,006	17,051	45
(6)Long-term loans	21,586	21,624	38
(7)Guarantee deposits received	5,069	4,945	(124)
<b>Total liabilities</b>	<b>159,259</b>	<b>159,218</b>	<b>(40)</b>
Derivative transactions (*2)			
(i) Hedge accounting not applied	-	-	-
(ii) Hedge accounting applied	(8)	(156)	(148)
<b>Total derivative transactions</b>	<b>(8)</b>	<b>(156)</b>	<b>(148)</b>

\*1 Excludes allowance for doubtful accounts for loans receivable.

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

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

Assets:

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

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

(6) Short-term investments and investment securities

[English Translation]

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

(7) Lease receivables and investment in leased assets

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

(9) Long-term loans receivable

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

Liabilities:

- (1) Notes and accounts payable, trade, (2) Bank loans, (3) Payables - other and (4) Accrued income taxes

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

(5) Straight bonds

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

(6) Long-term loans

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

(7) Guarantee deposits received

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

Derivative transactions:

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

For hybrid instruments which do not separate the fair value of the embedded derivatives, the fair value of the hybrid instruments is calculated as a whole, and included in "(i) held-to-maturity debt securities" in "(6) Short-term investments and investment securities." Since forward exchange contracts that have been appropriated are accounted for together with hedged time deposits, the fair value thereof is included in that of said time deposits.

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

(Millions of Yen)

Item	Amount recognized on the consolidated balance sheet
Unlisted stock (*1)	4,834
Unlisted stock of affiliates (*1)	11,881
Investments in limited partnerships for investment etc. (*1)	5,517
Deposit from business activities (*2)	33,021

\*1 Not included in “(6) Short-term investments and investment securities” due to lack of market price and extreme difficulty in identifying fair value.

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

### Notes to Leased Property and Other Real Estate

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

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

(Millions of Yen)

	Amount recognized on the consolidated balance sheet			Fair value at end of the current fiscal year
	Balance at end of the previous fiscal year	Increase/decrease during the current fiscal year	Balance at end of the current fiscal year	
Office buildings	36,279	(325)	35,953	46,556
Medical facilities	45,831	(963)	44,868	39,604
Other	8,896	(89)	8,807	7,885
Total	91,007	(1,378)	89,629	94,046

(Note 1) The amount recognized on the consolidated balance sheet equals the acquisition cost less accumulated depreciation and accumulated impairment loss.

(Note 2) The fair value at end of the current fiscal year is, in the case of major properties, the amount based on real-estate appraisal by an external real-estate appraiser, and in the case of other properties, the amount calculated in-house based on the Real Estate Appraisal Standard. However, if no significant fluctuations have occurred in a certain valuation or an index that is deemed to properly reflect the market price since the acquisition of the property from a third party or the most recent external valuation, the fair value is based on such valuation or the amount adjusted by using the index.

Profit or loss on leased properties and other real estate for the fiscal year ended March 31, 2011 is as follows:

(Millions of Yen)

	Rental income	Rental expenses	Difference	Other (gain/loss on sale etc.)
Office buildings	3,335	1,475	1,859	12
Medical facilities	4,945	2,164	2,781	3
Other	545	191	354	16
Total	8,826	3,831	4,995	32

(Note) The rental expenses include depreciation, repair costs, insurance premium, taxes and public imposts, etc.

## Notes to Deferred Tax Accounting

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

Deferred tax assets:	(Millions of Yen)
Operating loss carry-forwards	14,743
Eliminations of unrealized gain	10,255
Allowance for doubtful accounts	7,757
Investment deposits by policyholders, unearned premiums and other insurance liabilities and provision for outstanding claims	7,489
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (land and buildings)	6,657
Accrued pension and severance costs	4,898
Accrued bonuses	4,842
Write-down on fixed assets	3,743
Impairment loss	2,810
Write-down on real estate inventories	1,822
Loss on impairment of investment securities	1,440
Other	7,505
Gross deferred tax assets	73,968
Valuation allowance	(31,116)
Total deferred tax assets	42,851

Deferred tax liabilities:	
Adjustment of book value of land and buildings of subsidiaries at fair value at the date of consolidation	(7,515)
Prepaid pension and severance costs	(7,481)
Adjustment of book value of other fixed assets of subsidiaries at fair value at the date of consolidation	(2,522)
Unrealized gains on securities	(709)
Other	(1,204)
Total deferred tax liabilities	(19,433)
Net deferred tax assets	23,418

2. Summary of the Reconciliation between the Statutory Tax Rate and the Effective Tax Rate after the Application of Deferred Tax Accounting:

Statutory tax rate	40.5(%)
(Reconciliation)	
Decrease in valuation allowance	(1.9)
Net gains from investment in affiliates accounted for under the equity method	(1.8)
Per capita levy of corporate inhabitant tax	0.8
Utilization of tax loss carry-forwards	(0.7)
Difference of tax rates between the Company and consolidated subsidiaries	(0.5)
Research and development tax credits	(0.5)
Unrecognized tax benefits from subsidiaries in deficit	0.4
Permanently non-deductible expenses such as entertainment expenses	0.4
Other	(0.1)
Effective tax rate after the application of deferred tax accounting	36.6(%)

**Notes to Retirement Benefits**

1. Outline of the Retirement Benefit Plan Adopted:

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

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

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



## 2. Items Concerning the Retirement Benefit Obligation (As of March 31, 2011):

(Millions of Yen)

(1) Projected benefit obligation	(74,727)
(2) Plan assets	65,518
(3) Unfunded projected benefit obligation ((1)+(2))	(9,209)
(4) Unappropriated difference at the time of change in accounting standard	-
(5) Unrecognized actuarial gains or losses	14,841
(6) Unrecognized prior service liability	-
(7) Net retirement benefit obligation recognized in the consolidated balance sheet ((3)+(4)+(5)+(6))	5,632
(8) Prepaid pension and severance costs	18,730
(9) Accrued pension and severance costs ((7)-(8))	(13,097)

## 3. Components of Pension and Severance Costs (from April 1, 2010 to March 31, 2011)

(Millions of Yen)

(1) Service cost *1	4,521
(2) Interest cost	1,539
(3) Expected return on plan assets	(1,756)
(4) Amortization of actuarial gains or losses	1,959
(5) Amortization of prior service benefit	(263)
(6) Pension and severance costs ((1)+(2)+(3)+(4)+(5))	5,999
(7) Other *2	1,595
Total	7,595

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

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

## 4. Assumptions Used in Accounting for Retirement Benefits

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

## Notes to Business Combination

Transactions under Common Control etc.

### 1. Name and Business Description of Company Subject to Business Combination, Legal Format of Business Combination, Name of Company Following Combination and Outline of Transaction Including Its Purpose

#### (1) Name and Business Description of Company Subject to Business Combination

Name of Company: Secom Techno Service Co., Ltd. (hereinafter “Secom Techno”), a consolidated subsidiary of the Company

Description of Business: Installation of online security systems, maintenance of building equipment, design to installation and maintenance of various architectural equipment and sales and installation of security systems for condominiums

#### (2) Legal Format of Business Combination

Tender offer

#### (3) Name of Company Following Combination

There was no change in the name of the company subject to business combination.

#### (4) Outline of Transaction Including Its Purpose

The Company and Secom Techno resolved at their respective meetings of the Board of Directors held on February 8, 2011, that the Company would acquire shares of Secom Techno through a tender offer for the purpose of enhancing the corporate value of Secom Techno and the entire SECOM Group through the realization of maximum synergy and the acceleration of efforts toward the establishment of the “Social System Industry,” by means of conducting the management integration; and conducted a tender offer for the shares of common stock issued by Secom Techno during the period from February 9, 2011 through March 24, 2011.

As a result of the above tender offer, the Company’s ownership percentage out of the total number of issued shares of Secom Techno (excluding the treasury stocks held by Secom Techno) increased from 67.78% (as of February 8, 2011) to 97.12%. The Company and Secom Techno are scheduled to conduct an absorption-type merger, with Secom being the surviving company and Secom Techno being the absorbed company.

### 2. Outline of Accounting Treatment

Pursuant to “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures” (ASBJ Guidance No. 10, revised on December 26, 2008), the transaction was accounted for as transaction with minority shareholders of transactions under common control etc.

### 3. Matters Related to Additional Acquisition of Investment Securities in Subsidiaries

#### (1) Acquisition Cost and Breakdown Thereof

Consideration for Acquisition

Common stock of Secom Techno	Yen 13,315 million
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Costs Directly Associated with Acquisition

Advisory fees etc.	Yen 110 million
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Acquisition Cost	Yen 13,425 million
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#### (2) Amount of Goodwill, Cause of Goodwill, Amortization Method and Period

(i) Amount of Goodwill: Yen 4,959 million

(ii) Cause of Goodwill:

The goodwill is attributable to acquisition cost relating to the additional acquisition of Secom Techno shares by the Company

[English Translation]

exceeding the decrease in minority interest caused by the additional acquisition.

(iii) Amortization Method and Period:

Amortization by the straight-line method over a 10-year period

- (3) Details of Contingent Considerations Stipulated in Business Combination Agreement and Accounting Treatment for the Current and Subsequent Fiscal years  
Not applicable.

### Notes to Per-Share Information

Net assets per share:	Yen 2,716.35
Net income per share:	Yen 279.07

### Notes to Significant Subsequent Events

The Company and its consolidated subsidiary Secom Techno Service Co., Ltd. (hereinafter "Secom Techno") resolved, at their respective meetings of the Board of Directors held on May 11, 2011, to conduct an absorption-type merger (hereinafter "Merger"), with the Company being the surviving company and Secom Techno being the absorbed company, and the two companies entered into a merger agreement in relation to the Merger.

The shares of Secom Techno are scheduled to be delisted as of June 28, 2011 (the last trading date of the shares is scheduled to be June 27, 2011), which precedes the scheduled effective date (July 1, 2011) of the Merger.

1. Name and Business Description of Company Subject to Business Combination, Date of Business Combination, Legal Format of Business Combination, Name of Company Following Combination and Outline of Transaction Including Its Purpose
  - (1) Name and Business Description of Company Subject to Business Combination
    - (i) Company Subject to Business Combination  
Secom Techno, a consolidated subsidiary of the Company
    - (ii) Description of Business  
Installation of online security systems, maintenance of building equipment, design to installation and maintenance of various architectural equipment and sales and installation of security systems for condominiums
  - (2) Date of Business Combination  
July 1, 2011 (scheduled)
  - (3) Legal Format of Business Combination  
The Company will absorb Secom Techno and become the surviving company; Secom Techno will subsequently be dissolved.  
With respect to the Company, the Merger is scheduled to be conducted in the form of a simplified merger, pursuant to the provisions of Article 796, Paragraph 3 of the Companies Act. With respect to Secom Techno, the Merger is scheduled to be conducted in the form of a short-form merger, pursuant to the provision of Article 784, Paragraph 1 of the Companies Act. Both companies will conduct the Merger without obtaining approval at their respective shareholders' meeting.
  - (4) Name of Company Following Combination  
There will be no change in the name of the company following business combination.
  - (5) Outline of Transaction Including Its Purpose  
The Company decided to conduct an absorption-type merger for the purpose of increasing the corporate values of Secom Techno, as well as the entire Secom Group, by accelerating the Group's efforts to establish a "Social System Industry" through maximization of synergy, which was achieved by means of operational integration with Secom Techno through

[English Translation]

the tender offer conducted for the shares of common stock of Secom Techno from February 9, 2011 to March 24, 2011.

As regards share allotment relating to the Merger, 0.85 shares of common stock of the Company will be allotted and delivered in exchange for each share of common stock of Secom Techno; provided, however, that no shares will be allotted in the Merger for the shares of common stock of Secom Techno held by the Company and treasury stocks held by Secom Techno.

All of the shares to be delivered by the Company are scheduled to be sourced from the treasury stocks held by the Company, and the Company does not plan to issue new shares upon the allotment in the Merger.

## 2. Outline of Accounting Treatment

Pursuant to “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures” (ASBJ Guidance No. 10, revised on December 26, 2008), the transaction is scheduled to be accounted for as a transaction under common control.

## Non-Consolidated Balance Sheet

(As of March 31, 2011)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<b><u>ASSETS</u></b>		<b><u>LIABILITIES</u></b>	
<b>Current assets:</b>	<b>168,428</b>	<b>Current liabilities:</b>	<b>110,439</b>
Cash on hand and in banks	74,680	Accounts payable	1,672
Cash deposits for armored car services	54,641	Bank loans	29,386
Notes receivable	221	Lease obligations	71
Due from subscribers	11,563	Payables – other	10,824
Accounts receivable, trade	6,074	Accrued income taxes	12,450
Receivables – other	2,385	Accrued consumption taxes	1,422
Short-term investments	456	Accrued expenses	722
Merchandise	4,279	Deposits received	20,362
Supplies	1,167	Deferred revenue	22,229
Prepaid expenses	2,051	Payables – construction	3,719
Deferred income taxes	4,938	Accrued bonuses	5,468
Short-term loans receivable	4,356	Other	2,107
Other	1,818		
Allowance for doubtful accounts	(206)		
<b>Fixed assets:</b>	<b>526,227</b>	<b>Long-term liabilities:</b>	<b>25,799</b>
<b>Tangible assets:</b>	<b>118,379</b>	Lease obligations	2,253
Buildings and improvements	22,310	Guarantee deposits received	18,262
Automobiles	243	Accrued pension and severance costs	4,040
Security equipment and control stations	61,461	Accrued retirement benefits for directors and corporate auditors	1,232
Machinery and equipment	565	Other	11
Tools, furniture and fixtures	3,151		
Land	28,390	<b>Total liabilities</b>	<b>136,238</b>
Construction in progress	1,743	<b><u>NET ASSETS</u></b>	
Other	513	<b>Shareholders' equity:</b>	<b>558,619</b>
<b>Intangible assets:</b>	<b>7,566</b>	<b>Common stock</b>	<b>66,377</b>
Software	6,751	<b>Capital surplus:</b>	<b>83,054</b>
Other	815	Additional paid-in capital	83,054
<b>Investments and others:</b>	<b>400,281</b>	<b>Retained earnings:</b>	<b>484,110</b>
Investment securities	20,969	Legal reserve	9,028
Investment securities and investments in subsidiaries and affiliates	204,910	Other retained earnings	475,082
Long-term loans receivable	118,276	Reserve for system developments	800
Lease deposits	8,047	General reserve	2,212
Long-term prepaid expense	25,872	Accumulated earnings carried forward	472,070
Prepaid pension and severance costs	14,321	<b>Common stock in treasury, at cost</b>	<b>(74,923)</b>
Deferred income taxes	13,865		
Insurance funds	4,181	<b>Valuation, translation adjustments and others:</b>	<b>(201)</b>
Other	2,831	<b>Unrealized losses on securities</b>	<b>(201)</b>
Allowance for doubtful accounts	(12,995)		
		<b>Total net assets</b>	<b>558,417</b>
<b>TOTAL ASSETS</b>	<b>694,656</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>694,656</b>

[English Translation]

## Non-Consolidated Statement of Income

(Fiscal Year from April 1, 2010 to March 31, 2011)

(Millions of Yen)

ITEM	AMOUNT	
<b>Revenue</b>		<b>329,297</b>
Costs of revenue	191,284	
<b>Gross profit</b>		<b>138,013</b>
Selling, general and administrative expenses	69,324	
<b>Operating profit</b>		<b>68,688</b>
<b>Non-operating income:</b>		
Interest income	2,023	
Dividends income	6,492	
Other	347	8,863
<b>Non-operating expenses:</b>		
Interest expenses	286	
Loss on sales and disposal of fixed assets	1,189	
Write-off of long-term prepaid expenses	805	
Other	768	3,050
<b>Ordinary profit</b>		<b>74,501</b>
<b>Extraordinary profit:</b>		
Gain on sales of investment securities	81	
Gain on refund of lease deposits	18	
Other	6	106
<b>Extraordinary losses:</b>		
The effect of adoption of accounting standard for asset retirement obligations	838	
Provision for allowance for doubtful accounts	805	
Loss on impairment of investment securities	450	
Loss related to disasters	431	
Other	112	2,637
<b>Income before income taxes</b>		<b>71,970</b>
Income taxes – current	26,258	
Income taxes – deferred	688	26,946
<b>Net income</b>		<b>45,023</b>

## Non-Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2010 to March 31, 2011)

(Millions of Yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
<b>Balance as of March 31, 2010</b>	66,377	83,054	—	83,054
<b>Changes during the period:</b>				
Cash dividends				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(0)	(0)
Transfer of loss on disposal of treasury stock			0	0
Net changes of items other than shareholders' equity				
<b>Total changes during the period</b>	—	—	—	—
<b>Balance as of March 31, 2011</b>	66,377	83,054	—	83,054

(Millions of Yen)

	Shareholders' equity				
	Retained earnings				Total retained earnings
	Legal reserve	Other retained earnings			
Reserve for system developments		General reserve	Accumulated earnings carried forward		
<b>Balance as of March 31, 2010</b>	9,028	800	2,212	445,579	457,620
<b>Changes during the period:</b>					
Cash dividends				(18,532)	(18,532)
Net income				45,023	45,023
Purchase of treasury stock					
Disposal of treasury stock					
Transfer of loss on disposal of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
<b>Total changes during the period</b>	—	—	—	26,490	26,490
<b>Balance as of March 31, 2011</b>	9,028	800	2,212	472,070	484,110

[English Translation]

(Millions of Yen)

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Common stock in treasury, at cost	Total shareholders' equity	Unrealized gains (losses) on securities	Total valuation, translation adjustments and others	
<b>Balance as of March 31, 2010</b>	(74,907)	532,145	786	786	532,931
<b>Changes during the period:</b>					
Cash dividends		(18,532)			(18,532)
Net income		45,023			45,023
Purchase of treasury stock	(16)	(16)			(16)
Disposal of treasury stock	0	0			0
Transfer of loss on disposal of treasury stock		—			—
Net changes of items other than shareholders' equity			(987)	(987)	(987)
<b>Total changes during the period</b>	<b>(16)</b>	<b>26,474</b>	<b>(987)</b>	<b>(987)</b>	<b>25,486</b>
<b>Balance as of March 31, 2011</b>	<b>(74,923)</b>	<b>558,619</b>	<b>(201)</b>	<b>(201)</b>	<b>558,417</b>



## Notes to Non-Consolidated Financial Statements

### Notes to Significant Accounting Policies

#### 1. Valuation Policies and Methods for Securities

- (1) Held-to-maturity debt securities  
Amortized cost method
- (2) Investment Securities in Subsidiaries and Affiliates  
At cost, based on the moving average method
- (3) Available-for-sale Securities  
Securities with fair value  
Stock and beneficiary securities: At fair value based on the average market price in one month prior to the fiscal year-end.  
Others: At fair value based on market price at fiscal year-end

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

Securities with no fair value  
At cost, based on the moving average method or amortized cost method.

#### 2. Valuation Policies and Methods for Inventories

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

#### 3. Depreciation and Amortization of Depreciable and Amortizable Fixed Assets

- (1) Tangible Assets: (except for leased assets)
  - 1) Security equipment and control stations  
Security equipment and control stations are depreciated over their average estimated useful service lives (5–8 years) by the declining-balance method.
  - 2) Other tangible fixed assets  
Other tangible fixed assets are depreciated by the straight-line method.  
Their main useful service lives are as follows:  
Buildings and improvements: 22–50 years
- (2) Intangible Assets  
Intangible fixed assets are amortized by the straight-line method.  
The software used in the Company is amortized by the straight-line method based on the useful service lives within the Company (5 years).
- (3) Leased Assets
  - 1) Leased assets related to ownership-transfer finance lease transactions  
Depreciated, using the same depreciation method applied to fixed assets in possession.
  - 2) Leased assets related to non-ownership-transfer finance lease transactions  
Depreciated, using the straight-line method over a useful life equal to the lease period with a residual value of zero.  
In addition, non-ownership-transfer finance leases entered into on or before March 31, 2008 are treated using the method applicable to operating lease transactions.

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

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

4. Basis for Significant Allowances

(1) Allowance for Doubtful Accounts

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

(2) Accrued Bonuses

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

(3) Accrued Pension and Severance Costs

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

Prior service liability is recognized as profit or loss in the year of occurrence. Actuarial gains and losses are amortized from the following fiscal year of occurrence, using the straight-line method over certain years within the average remaining service period (mainly 10 years).

(4) Accrued Retirement Benefits for Directors and Corporate Auditors

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

5. Revenue and Cost Recognition Policies

Revenue Recognition Policies for Construction Contracts

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

6. Hedge Accounting Policy

(1) Hedge Accounting Policy

The foreign currency denominated time deposits with forward exchange contract that fulfill requirements for appropriation treatment are accounted for using appropriation treatments.

(2) Hedging Instruments and Hedged Items

Hedging instruments:

Forward exchange contract

Hedged items:

Foreign currency denominated time deposits

(3) Hedging Policy

The risks for forward currency rate fluctuation are to be hedged pursuant to the risk management policy of the Company.

(4) Assessment of Hedge Effectiveness

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

7. Other Significant Accounting Policies

In relation to consumption tax and regional consumption tax, tax-exclusive method is adopted.

8. Changes of Accounting Policies

(1) Accounting Standard for Asset Retirement Obligations

From the current fiscal year, the Company applied the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, issue on March 31, 2008).

This change resulted in a decrease in operating profit and ordinary profit by Yen 22 million, respectively, and in income before income taxes by Yen 861 million.

(2) Accounting Standard for Business Combinations and Others

From the current fiscal year, the Company applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on December 26, 2008), “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, issued on December 26, 2008), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, revised on December 26, 2008), and “Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures” (ASBJ Guidance No. 10, revised on December 26, 2008).

9. Changes of Presentation Methods

(Non-Consolidated Statement of Income)

“Gain on sales of investment securities,” which had been included in “Other” of extraordinary profit until the previous fiscal year, is listed separately in the current fiscal year as it exceeded 10% of the total extraordinary profit.

“Gain on sales of investment securities” included in “Other” of extraordinary profit in the previous fiscal year was Yen 8 million.

**Notes to the Non-Consolidated Balance Sheet**

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

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

The balance of cash deposits for armored car services includes cash on hand and cash in banks of representing a total of Yen 32,279 million connected with cash filling services, which is restricted in use by the Company. The short-term bank loan balance includes Yen 10,871 million financed for the cash filling services.

The balance of cash deposits for armored car services includes Yen 22,361 million connected with cash collection administration services, which is also restricted in use by the Company. Also, the short-term bank loan balance includes Yen 18,514 million financed for the cash collection administration services.

## 2. Assets Pledged as Collateral and Collateral-related Liabilities

### Assets Pledged as Collateral

	(Millions of Yen)
Short-term loans receivable	19
Investment securities	277
Investment securities in subsidiaries and affiliates	45
Long-term loans receivable	806
<u>Total</u>	<u>1,149</u>

### Collateral-related Liabilities

Nil

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

## 3. Accumulated Depreciation of Assets

Accumulated depreciation of tangible assets: Yen 234,673 million

## 4. Contingent Liabilities

### (1) Guarantees

Liabilities for the below entities and employees are guaranteed.

	(Millions of Yen)
Alive Medicare Co., Ltd.	1,882
Secom Fort West Co., Ltd.	525
Secom Home Life Co., Ltd.	520
Prime Stage Co., Ltd.	150
Sanwakai (Medical institution)	142
Other	181
Employees	198
Purchaser of merchandises by leasing transactions etc.	1,003
<u>Total</u>	<u>4,604</u>

### (2) Net Assets Maintaining Agreement

The Company entered into a net assets maintaining agreement with Secom General Insurance Co., Ltd., under which the Company is obligated to provide funds to Secom General Insurance Co., Ltd. if and when the net assets of Secom General Insurance Co., Ltd. become lower than the specified amount or its current assets necessary for the payment of its liabilities are insufficient. The total liabilities of Secom General Insurance Co., Ltd. at the end of the current fiscal year are Yen 144,055 million, including Yen 139,543 million of investment deposits by policyholders, unearned premiums and other insurance liabilities, and the total assets are Yen 165,333 million.

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

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

	(Millions of Yen)
Short-term receivables	8,476
Long-term receivables	119,575
Short-term payables	8,413
Long-term payables	750

**Notes to Non-Consolidated Statement of Income**

Transactions with Subsidiaries and Affiliates

Operating transactions	(Millions of Yen)
Revenue	15,468
Amount of purchased costs and sub-contract costs	66,404
Non-operating transactions	8,159

**Notes to Non-Consolidated Statements of Changes in Net Assets**

Items Related to Classes and Total Number of Treasury Stocks

(Unit: 1 share)

Classes of shares	Number of shares at the end of the previous fiscal year	Increase in number of shares in the current fiscal year	Decrease in number of shares in the current fiscal year	Number of shares at the end of the current fiscal year
Common stock	15,254,334	4,307	88	15,258,553

(Outline of reasons for change)

The increase of 4,307 in the number of common stocks is due to the purchase of shares constituting less than one unit.

The decrease of 88 in the number of common stocks is due to requests to sell such number of shares as will constitute, together with the shares constituting less than one unit of shares already held, one full unit.

## Notes to Deferred Tax Accounting

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

Deferred tax assets:	(Millions of Yen)
Loss on impairment of investment securities in subsidiaries and affiliates	6,534
Allowance for doubtful accounts	5,212
Accrued bonuses	2,214
Impairment loss	2,190
Write-down on fixed assets	1,839
Accrued pension and severance costs	1,636
Other	4,976
<hr/> Total deferred tax assets	<hr/> 24,603
Deferred tax liabilities:	
Prepaid pension and severance costs	(5,800)
<hr/> Total deferred tax liabilities	<hr/> (5,800)
Net deferred tax assets	18,803

### 2. Summary of the Reconciliation between the Statutory Tax Rate and the Effective Tax Rate after the Application of Deferred Tax Accounting:

Statutory tax rate (Reconciliation)	40.5 (%)
Permanently non-taxable income such as dividends income	(3.2)
Per capita levy of corporate inhabitant tax	0.5
Research and development tax credits	(0.5)
Other	0.1
<hr/> Effective tax rate after the application of deferred tax accounting	<hr/> 37.4(%)

### Notes to Fixed Assets under Leases

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

## Notes to Transactions with Related Parties

Type	Name of Company	Address	Capital (Millions of Yen)	Business content	Voting Rights Held by the Company (%)	Relationship	
						Concurrent posts of Directors and Corporate Auditors	Business relationship
Subsidiary	Secom Techno Service Co., Ltd.	Nakano -ku, Tokyo	2,357	Installation of security systems	97.1	-	Construction subcontractor
Subsidiary	Secom Home Life Co., Ltd.	Shibuya -ku, Tokyo	3,700	Real estate development and sales	99.9	1 person	Loan and investment of funds
Subsidiary	Secom Credit Co., Ltd.	Shibuya -ku, Tokyo	400	Lease	100.0	1 person	Loan and investment of funds
Subsidiary	Secom Medical System Co., Ltd.	Shibuya -ku, Tokyo	6,545	Medical service	100.0	1 person	Loan and investment of funds

	Transactions	Amount of Transactions (Millions of Yen)	Account	Year-end Balance (Millions of Yen)
Secom Techno Service Co., Ltd.	Installation costs etc. (Note 2)	38,851	Payables-other	3,136
			Payables-construction	1,186
Secom Home Life Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 3)	15,810 (28,855) 805	Long-term loans receivable (Note 4)	47,389
			Short-term loans receivable	500
Secom Credit Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 3)	8,600 (9,000) 320	Long-term loans receivable	18,000
			Short-term loans receivable	3,322
Secom Medical System Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 3)	6,067 (6,285) 560	Long-term loans receivable	35,809

(Notes)

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

[English Translation]

### **Notes to Business Combination**

The Company additionally acquired shares of Secom Techno Service Co., Ltd. through a tender offer. Please refer to “Notes to Business Combination” in the “Notes to Consolidated Financial Statements.”

### **Notes to Per-Share Information**

Net assets per share:	Yen 2,561.19
Net income per share:	Yen 206.50

### **Notes to Significant Subsequent Events**

Please refer to “Notes to Significant Subsequent Events” in the “Notes to Consolidated Financial Statements.”



## Certified Copy of the Accounting Auditors' Report (Consolidated)

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

### Independent Auditors' Report

May 18, 2011

The Board of Directors  
SECOM Co., Ltd.

KPMG AZSA LLC

Toshiya Mori (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Hiroaki Sugiura (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Kentaro Maruta (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of SECOM Co., Ltd. as of March 31, 2011 and for the year from April 1, 2010 to March 31, 2011 in accordance with Article 444(4) of the Companies Act. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

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

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

#### Note

As discussed in Notes to Significant Subsequent Events in Notes to Consolidated Financial Statements, the Company entered into a merger agreement with Secom Techno Service Co., Ltd., its consolidated subsidiary, on May 11, 2011.

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

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

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

### **Independent Auditors' Report**

May 18, 2011

The Board of Directors  
SECOM Co., Ltd.

KPMG AZSA LLC

Toshiya Mori (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Hiroaki Sugiura (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Kentaro Maruta (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and its supporting schedules of SECOM Co., Ltd. as of March 31, 2011 and for the 50th business year from April 1, 2010 to March 31, 2011 in accordance with Article 436(2)(i) of the Companies Act. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

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

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

#### Note

As discussed in Notes to Significant Subsequent Events in Notes to Non-Consolidated Financial Statements, the Company entered into a merger agreement with Secom Techno Service Co., Ltd., its consolidated subsidiary, on May 11, 2011.

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

[English Translation]

## Certified Copy of the Board of Corporate Auditors' Report

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

### Audit Report

May 19, 2011

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

Board of Corporate Auditors of  
SECOM Co., Ltd.

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

Ken Tsunematsu (Seal)  
Outside Corporate Auditor

Hiroshi Yasuda (Seal)  
Outside Corporate Auditor

Kohei Yamashita (Seal)  
Outside Corporate Auditor

The Board of Corporate Auditors has received the audit reports of the performance of duties of the Directors during the 50th business term from April 1, 2010 through March 31, 2011 from each of the Corporate Auditors. After deliberating such reports, we have prepared this Audit Report and report as follows:

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

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

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

The Board of Corporate Auditors received reports on internal control regarding

[English Translation]

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

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

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

## 2. Result of audit

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

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

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

In our opinion, the audit procedures and audit results of the Accounting Auditors KPMG AZSA LLC are appropriate.

### (3) Result of audit of consolidated financial statements

In our opinion, the audit procedures and audit results of the Accounting Auditors KPMG AZSA LLC are appropriate.

End

## Reference Document Concerning the General Meeting of Shareholders

### Proposals and Reference Items

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

The Company considers the return of profit to shareholders as one of the important managerial issues, and the Company has determined a dividend payout ratio on a consolidated basis and the level of internal reserves after making an overall judgment on the expansion of the Company's business and trend of future revenues and profits of the Group while considering the Company's basic policy that ensures the payment of continual and steady dividends. The Company has made it a basic rule to distribute a dividend once a year as the year-end dividend, which is determined by the General Meeting of Shareholders. Furthermore, the Company will utilize internal reserves for investment required for increased new contractors, research and development and investments and the like for strategic businesses so that the Company will exert its efforts to strengthen the corporate structure and to expand its business.

It is proposed that, based on the aforesaid basic policy, cash dividends for the fiscal year under review be increased by Yen 5 per share from Yen 85 per share for the previous fiscal year to Yen 90 per share to reward shareholders' continued support.

Matters related to the year-end dividend:

- (1) Kind of assets distributed:  
Cash
- (2) Matter related to distribution of cash and total amount:  
Yen 90 per share of common stock of the Company  
The total amount: Yen 19,622,714,760
- (3) Effective date for distribution of surplus:  
June 27, 2011

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

##### 1. Reasons for amendments

- (1) Amendments of Purpose  
Prior to the merger (the effective date planned to be July 1, 2011) with Secom Techno Service Co., Ltd., in order to clearly stipulate construction business in the purpose clause of the Company's Articles of Incorporation to reflect the addition of Secom Techno's business, proposed amendments will be made to Article 2, Item 6 in the Articles of Incorporation.

- (2) Entering into contracts to limit Outside Corporate Auditors' liabilities

Since the Company deems it one of the important managerial issues to strengthen corporate governance, three (3) Outside Corporate Auditors have been elected. With a view to making it easier for the

Company to invite capable talents who are independent and professional as Outside Corporate Auditors, a new provision to enable the Company to enter into contracts for limitation of liability with Outside Corporate Auditors will be added to the Articles of Incorporation pursuant to Article 427 of the Companies Act related to contracts for limitation of liability.

(3) Change of the number of Corporate Auditors

With a view to strengthening and enforcing the Corporate Auditor system, the maximum number of Corporate Auditors is to be increased to five (5) from four (4) in Article 33 of the current Articles of Incorporation.

2. Details of amendments

The details of amendments are as follows:

(The underlined parts are changed parts.)

Current Articles of Incorporation	Proposed changes
<p>(Purpose)            Article 2 The purpose of the Company shall be to engage in the following business:</p> <ol style="list-style-type: none"> <li>1. Business relating to contracting to provide security protection and ensuring such protection;</li> <li>2. Business relating to inspection, guidance, advice and publishing concerning security protection and safety;</li> <li>3. Business relating to development, manufacture, leasing, sales and operation of equipment, devices and security systems etc., related to prevention of crimes and fire, protection from disasters, emergency aid and safety;</li> <li>4. Business of escorted transportation of cash and valuables, and ground transportation business for such purpose;</li> <li>5. Business relating to contracting for management and security of buildings, facilities and vehicles, and maintenance and repair thereof;</li> <li>6. Business of contracting for <u>general electric installation work, telecommunications installation work and any work appurtenant to general</u> and maintenance</li> </ol>	<p>(Purpose)            Article 2 The purpose of the Company shall be to engage in the following business:</p> <p>Item 1 to Item 5 are the same as current.</p> <p>6. Business of <u>designing, administrating, executing and maintaining of electric installation work, telecommunications installation work, construction work,</u></p>

<p>business thereof;</p> <p>7. Business relating to information processing, data base and other information services, and loans;</p> <p>8. Business relating to telecommunications and broadcasting;</p> <p>9. Business relating to investigation, research, consulting and guidance in business management;</p> <p>10. Business relating to life insurance and non-life insurance agency services;</p> <p>11. Business relating to development, manufacture, leasing, and sales of appliances for education, medical treatment and health;</p> <p>12. Business relating to nursing services and home care service outside of hospital, and management of pharmacies;</p> <p>13. Business relating to development, manufacture, leasing, and sales of water purification and gas exhaust filtering equipment;</p> <p>14. Business relating to the management of hotels, food and beverage establishments, sports facilities as well as rest centers and other welfare facilities, and business related to travel;</p> <p>15. Business relating to sales and purchasing, rental, brokering, and management of real estate;</p> <p>16. Business relating to aerial surveying and mapping services;</p> <p>17. Business relating to mail-order;</p> <p>18. The processing, planning, and sale of agricultural products;</p> <p>19. Banking agent business; and</p> <p>20. Any and all business incidental or related to the foregoing items.</p> <p>(Number of Corporate Auditors) Article 33 The Company shall have not more than <u>four (4) Corporate</u></p>	<p><u>fire extinguishing facilities work and other works;</u></p> <p>Item 7 to Item 20 are the same as current.</p> <p>(Number of Corporate Auditors) Article 33 The Company shall have not more than <u>five (5) Corporate Auditors.</u></p>
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<p><u>Auditors.</u></p> <p>(Newly established)</p> <p>Article <u>41</u> ~ Article <u>47</u> (The contents of the Articles are intentionally omitted.)</p>	<p><u>(Contracts for limitation of liability with Outside Corporate Auditors)</u></p> <p><u>Article 41</u> The Company may, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, enter into an agreement with Outside Corporate Auditor to limit liabilities to compensate damages provided for in Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum of the amount of compensation liable under the agreement shall be the amount provided for in the laws and regulations.</p> <p>Article <u>42</u> ~ Article <u>48</u> (The numerical numbers of all the Articles hereafter shall be increased by one (1), and the contents of the Articles are unaffected.)</p>
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**Third Item of Business: Election of Eleven (11) Directors**

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

The candidates are as follows:

No.	Name (Date of Birth)	Summary of career, title and responsibility, and important position of other organization concurrently assumed	The number of Shares Held
1	Makoto Iida (April 1, 1933)	Jul 1962 President and Representative Director (Founder) Feb 1976 Chairman and Representative Director Jun 1997 Supreme Advisor and Director (currently)	4,320,500
2	Juichi Toda (March 7, 1932)	Jul 1962 Senior Executive Director (Co-founder) Feb 1976 Executive Vice Chairman and Representative Director Jun 1997 Supreme Advisor and Director (currently)	3,152,216
3	Shohei Kimura (May 2, 1943)	Apr 1967 Joined SECOM Co., Ltd. Feb 1985 Director Feb 1988 Executive Director Jun 1995 Senior Executive Director Apr 2002 President and Representative Director Jun 2004 President and Representative Director and Executive Officer Apr 2005 Chairman and Director (currently) (Important position of other organization concurrently assumed) Chairman, All Japan Security Service Association Outside Corporate Auditor, Secom General Insurance Co., Ltd.	38,100



No.	Name (Date of Birth)	Summary of career, title and responsibility, and important position of other organization concurrently assumed	The number of Shares Held
4	Kanemasa Haraguchi (August 7, 1950)	Apr 1974 Joined SECOM Co., Ltd. Jun 1990 Director Jun 1995 Executive Director Jun 1997 Senior Executive Director Jun 2002 Director and Executive Vice President Jun 2004 Director and Executive Vice President and Executive Officer Apr 2005 President and Representative Director Jan 2010 Executive Vice Chairman and Director (currently) (Important position of other organization concurrently assumed) Outside Director, Secom Joshinetsu Co., Ltd. Outside Director, Toyo Tec Co., Ltd.	11,344
5	Shuji Maeda (September 27, 1952) *	Jan 1981 Joined SECOM Co., Ltd. Jun 1997 Director Jun 2000 Executive Director Jun 2004 Director and Managing Executive Officer Apr 2005 Executive Director Jun 2009 Executive Vice President and Director Jan 2010 President and Representative Director (currently)	6,100
6	Koichi Sato (February 5, 1953) *	Apr 1976 Joined SECOM Co., Ltd. Jun 2004 Executive Officer Jun 2005 Managing Executive Officer Jun 2007 Executive Director Jun 2008 President and Representative Director, Secom Joshinetsu Co., Ltd. Jun 2009 Chairman and Director, Secom Joshinetsu Co., Ltd. Jun 2009 Executive Vice President and Director (currently) (Important position of other organization concurrently assumed) Outside Director, Nohmi Bosai Ltd.	2,588
7	Fumio Obata (July 6, 1946) *	Apr 1996 General Manager, Business Development Department, The Mitsubishi Bank, Ltd. (presently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Nov 1998 Senior Executive Director, The Long-Term Credit Bank of Japan (presently The Shinsei Bank, Ltd.) Mar 2000 Associate Manager, Strategic Planning Division, SECOM Co., Ltd. Jun 2000 Director Mar 2002 President and Representative Director, Secom Medical System Co., Ltd. Jun 2004 Executive Officer Jun 2009 Senior Executive Director (currently)	2,900
8	Katsuhisa Kuwahara (May 9, 1948) *	Apr 1971 Joined SECOM Co., Ltd. Jun 1990 Director Jun 1995 Executive Director Jun 2004 Director and Managing Executive Officer Apr 2005 Executive Director (currently)	3,700

No.	Name (Date of Birth)	Summary of career, title and responsibility, and important position of other organization concurrently assumed	The number of Shares Held
9	Yasuo Nakayama (November 1, 1952) *	Jul 2003 Branch Manager, Nagoya Branch, The Bank of Japan Jul 2005 Director-General, Secretariat of the Policy Board, The Bank of Japan Apr 2007 Personnel and Corporate Affairs Department, The Bank of Japan May 2007 Advisor, SECOM Co., Ltd. Jun 2007 Executive Director (currently)	2,800
10	Hiroshi Ito (February 7, 1952) *	Feb 1979 Joined SECOM Co., Ltd. May 1989 Executive Director, Secom Mie Co., Ltd. Jun 2000 Director (up to Jun 2004) Jun 2003 President and Representative Director, Secom Information System Co., Ltd. (presently Secom Trust Systems Co., Ltd.) (currently) Jun 2004 Executive Officer Jun 2009 Executive Director (currently) (Important position of other organization concurrently assumed) President and Representative Director, Secom Trust Systems Co., Ltd.	3,900
11	Takayuki Ito (January 2, 1954) *	Jun 2000 General Manager, Hibiya Branch, The Sanwa Bank, Ltd. (presently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Jul 2002 General Manager, Muromachi Branch and Corporate Sales Department, UFJ Bank Limited. (presently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Jun 2005 Advisor, SECOM Co., Ltd. Jun 2006 Executive Officer Jun 2007 Director (currently) Jun 2009 General Manager, Corporate Sales Division Jul 2010 Executive Vice President and Representative Director, Secom Home Life Co., Ltd. Sep 2010 President and Representative Director, Secom Home Life Co., Ltd. (Important position of other organization concurrently assumed) President and Representative Director, Secom Home Life Co., Ltd. Outside Corporate Auditor, Secom Joshinetsu Co., Ltd.	1,200

(Notes)

1. There is no particular interest between the Company and each of the said candidates.
2. Candidates with \* are Executive Officers currently in office.

#### **Fourth Item of Business: Election of Five (5) Corporate Auditors**

The term of office of all of the four (4) current Corporate Auditors will expire at the close of this Meeting. With a view to strengthening and enforcing the Corporate Auditors system, it is proposed to reelect the four (4) Corporate Auditors and newly elect one (1) Corporate Auditor.

Furthermore, this Item of Business is on condition that the Second Item of Business will have been approved at the Meeting.

[English Translation]

Moreover, this Item of Business has been consented by the Board of Corporate Auditors.

The candidates are as follows:

No.	Name (Date of Birth)	Summary of career, title and responsibility, and important position of other organization concurrently assumed	The number of Shares Held
1	Teruo Ogino (September 25, 1938)	<p>May 1989 General Manager, Inspection Department, The Bank of Mitsubishi, Ltd. (presently the Bank of Tokyo-Mitsubishi UFJ, Ltd.)</p> <p>Feb 1990 Advisor, SECOM Co., Ltd.</p> <p>Feb 1990 Director</p> <p>Jun 1996 Executive Director</p> <p>Jun 2003 Full-time Corporate Auditor (currently)</p>	10,100
2	Ken Tsunematsu (March 30, 1932)	<p>Apr 1968 Registered as Attorney-at-Law (Daini Tokyo Bar Association)</p> <p>Apr 1968 Joined Blakemore &amp; Mitsuki</p> <p>Mar 1979 Auditor, Secom Science and Technology Foundation</p> <p>Jan 1988 Founded Tsunematsu Yanase &amp; Sekine</p> <p>Jan 2000 Founded Nagashima Ohno &amp; Tsunematsu, by the merger with Nagashima &amp; Ohno</p> <p>Jun 2002 Corporate Auditor, Secom Co., Ltd. (currently)</p> <p>Jan 2003 Advisor, Nagashima Ohno &amp; Tsunematsu (currently)</p> <p>Mar 2004 Managing Director, Secom Science and Technology Foundation (currently)</p> <p>(Important position of other organization concurrently assumed) Managing Director, Secom Science and Technology Foundation</p>	0
3	Hiroshi Yasuda (March 8, 1933)	<p>Jan 1979 Director, Jardin Matheson and Company (Japan) Ltd.</p> <p>Feb 1986 President and Representative Director, Jardin Matheson Ltd.</p> <p>Apr 1989 Chairman and Representative Director, Jardin Matheson Ltd.</p> <p>Jun 1993 Advisor, YASUDA Real Estate Co., Ltd. (currently)</p> <p>Jan 1999 Representative, Japan Jardin Fleming Group</p> <p>Jan 1999 Chairman and Director, JPMorgan Fleming Asset Management (Japan) Ltd. (presently JPMorgan Asset Management (Japan) Ltd.)</p> <p>Jan 2002 Advisor and Director, JPMorgan Fleming Asset Management (Japan) Ltd. (presently JPMorgan Asset Management (Japan) Ltd.) (currently)</p> <p>Jun 2003 Corporate Auditor, Secom Co., Ltd. (currently)</p> <p>Sep 2004 Representative Director, Mandarin Oriental Tokyo Co., Ltd.</p> <p>Oct 2005 Senior Advisor and Director, Mandarin Oriental Tokyo Co., Ltd. (currently)</p> <p>(Important position of other organization concurrently assumed) President and Director, Yasuda Gakuen Kyoikukai</p>	2,000

No.	Name (Date of Birth)	Summary of career, title and responsibility, and important position of other organization concurrently assumed	The number of Shares Held
4	Kohei Yamashita (January 26, 1938)	<p>Apr 1988 President and Representative Director, Kokyo Tatemono Co., Ltd. (currently)</p> <p>Nov 1990 Chairman and Representative Director, International Ceramic, Inc.</p> <p>Jun 1993 Chairman and Representative Director, Imperial Enterprises Inc.</p> <p>Jul 1995 Chairman and Representative Director, Dalian Building Maintenance Investment Co., Ltd. (currently)</p> <p>Jan 1997 Chairman and Representative Director, Tozai Building Maintenance Co., Ltd.</p> <p>Jun 1998 Director, General Lasertronics Corporation (currently)</p> <p>Jun 2003 Corporate Auditor, Secom Co., Ltd. (currently) (Important position of other organization concurrently assumed)</p> <p>President and Representative Director, Kokyo Tatemono Co., Ltd.</p>	2,000
5	Seiji Sakamoto (January 7, 1947) *	<p>Apr 1970 Joined The Bank of Mitsubishi, Ltd. (presently the Bank of Tokyo-Mitsubishi UFJ, Ltd.)</p> <p>Aug 2000 Joined SECOM Co., Ltd.</p> <p>Aug 2000 Director, Secom General Insurance Co., Ltd.</p> <p>Jun 2001 Executive Director, Secom General Insurance Co., Ltd.</p> <p>Jun 2006 Executive Officer, SECOM Co., Ltd.</p> <p>Apr 2007 Managing Executive Officer, SECOM Co., Ltd.</p> <p>Jun 2009 Retired from Managing Executive Officer, SECOM Co., Ltd.</p> <p>Jun 2009 President and Representative Director, Secom Techno Service Co., Ltd. (currently) (Important position of other organization concurrently assumed)</p> <p>President and Representative Director, Secom Techno Service Co., Ltd.</p>	2,300

(Notes)

1. A candidate with \* is a candidate for new Corporate Auditor. He is scheduled to resign as Director of Secom Techno Service Co., Ltd. on June 22, 2011.
2. There is no special interest between the Company and each of the candidates.
3. Messrs. Ken Tsunematsu, Hiroshi Yasuda and Kohei Yamashita are candidates for Outside Corporate Auditors.
4. Reason for election of candidates for Outside Corporate Auditors:
  - (1) Mr. Ken Tsunematsu has profound knowledge relating to management and interests between stakeholders, understanding and information for finance and accounting which he accumulated through engagement as an attorney-at-law in corporate legal issues and securities issuances and offering in and outside Japan. We deem it advisable and possible that he may promote to strengthen the Corporate Auditors system of the Company through his knowledge and practical experience so that we ask shareholders to elect him as Outside Corporate Auditor.

[English Translation]

- (2) Mr. Hiroshi Yasuda has profound experience and knowledge through engagement in management and director of a number of companies and organizations. We deem it advisable and possible that he will promote to strengthen the Corporate Auditors system of the Company through his experience and knowledge so that we ask shareholders to elect him as Outside Corporate Auditor.
  - (3) Mr. Kohei Yamashita has profound experience and knowledge through engagement in global companies. We deem it advisable and possible that he will promote to strengthen the Corporate Auditors system of the Company through his experience and knowledge so that we ask shareholders to elect him as Outside Corporate Auditor.
5. Reason why the Company made judgment that the candidate may duly discharge duties as Outside Corporate Auditor  
Mr. Ken Tsunematsu has not engaged directly in management of companies but is acquainted fully with corporate legal affairs and knowledge on management so that we deem him to be able to discharge duties as Outside Corporate Auditor.
  6. Mr. Ken Tsunematsu will have been in office of Outside Corporate Auditor for nine (9) years at the close of this General Meeting of Shareholders. Messrs. Hiroshi Yasuda and Kohei Yamashita will have been in office of Outside Corporate Auditor for eight (8) years at the close of this General Meeting of Shareholders.
  7. Mr. Ken Tsunematsu was notified as Independent Officer to the Tokyo Stock Exchange and Osaka Securities Exchange. In case he is reelected as Corporate Auditor, he will continue to be an Independent Officer.
  8. In the event that partial amendments to the Articles of Incorporation in the Second Item of Business is approved at the General Meeting of Shareholders and Messrs. Ken Tsunematsu, Hiroshi Yasuda and Kohei Yamashita are appointed as Outside Corporate Auditors, the Company is scheduled, based on Article 427, Paragraph 1 of the Companies Act, to enter into contracts for limitation of liability with each of the three Outside Corporate Auditors, which could limit their liabilities pursuant to Article 423, Paragraph 1 of the Companies Act. The contents of the proposed contracts are as follows:
    - i) In case the Outside Corporate Auditors incur liability to compensate damages due to their negligence of their duties, it will incur the responsibility up to the minimum amount of limit of the responsibility pursuant to Article 427, Paragraph 1 of the Companies Act.
    - ii) The limitation of the responsibility above will come into forth only when each of the Outside Corporate Auditors has good intentions and no gross negligence in discharging their duties causing the ground for their liabilities.

#### **Fifth Item of Business: Revision of Remuneration to Corporate Auditors as a Group**

An amount of remuneration to Corporate Auditors as a group was resolved upon Yen 60 million or less per year at the 37<sup>th</sup> General Meeting of Shareholders held on June 26, 1998 and is currently still in effect. Taking into consideration the increase of the number of Corporate Auditors proposed at this General Meeting of

Shareholders, it is proposed to increase the amount of remuneration to Corporate Auditors as a group to Yen 80 million or less per year.

The number of Corporate Auditors is currently four (4) but in the event that the Fourth Item of Business is approved as originally proposed, the number of Corporate Auditors will be five (5).

- End -