



Makoto Iida  
Founder

## Consolidated Operating Results

Although consumer spending continues to lack vibrancy, economic conditions in Japan remain on a steady upward trend as buoyant corporate profits support higher capital investment and an improvement in the employment situation.

In this environment, SECOM continues to cater to its customers' needs for security and peace of mind by providing value-added products and services that are aimed at realizing the Social System Industry vision. We are stepping up efforts to expand our core security services business—by introducing new products and services, and building new branch offices while relocating existing ones—as well as our medical, insurance, geographic information, and information and communication related and other services. In December 2006, we acquired new shares offered by Nohmi Bosai Ltd., an affiliated company listed on the First Section of the Tokyo Stock Exchange, and consequently Nohmi Bosai became a consolidated subsidiary. This move has allowed us to make a decisive entry into the market for fire protection services, providing automatic fire alarm, fire extinguishing and other fire protection systems for a broad range of applications, including office buildings, plants, tunnels, cultural properties, ships and residences.

In the fiscal year ended March 31, 2007, we recorded record-high consolidated net sales and operating revenue, operating income and net income. Owing to favorable results in all segments and contributions from our fire protection services business, included in consolidated results during the period under review, net sales and operating revenue increased 9.7%, or ¥56.2 billion, to ¥636.7 billion. Operating income rose 15.3%, or ¥12.5 billion, to ¥94.4 billion, reflecting the increase in net sales and operating revenue, as well as a decline in selling, general and administrative expenses

and the absence of a settlement loss of benefit obligation on transfer to defined contribution pension plan registered in the previous period. Net income advanced 11.0%, or ¥5.6 billion, to ¥55.9 billion.

Calculated according to accounting principles generally accepted in Japan, consolidated revenue rose 8.2%, to ¥614.0 billion, while operating profit, ordinary profit and net income reached ¥97.8 billion, ¥102.7 billion and ¥ 58.3 billion, respectively—all record highs.

With the aim of providing returns to shareholders that more accurately reflect our operating performance, we shifted the basis for determining dividends, which are calculated using Japanese accounting principles, to consolidated results, from nonconsolidated results. Shareholders adopted a resolution to raise cash dividends by ¥20.00, to ¥80.00 per share at the general shareholders' meeting on June 27, 2007.

## Maximizing Comprehensive Capabilities to Respond to Customer Needs

The needs that prompt people to take advantage of security services are growing increasingly diverse and sophisticated. In recent years, customers have come to favor security services providers able to deliver not only outstanding services, but also flexible and suitable solutions that relieve apprehensions and tackle dangers that arise in daily life. This change in customer perception has become a key consideration in determining which security services are chosen. As an example, tenders for security services contracts for key facilities are judged increasingly on service content, rather than simply on competitive pricing. We endeavor to capitalize on our years of accumulated know-how and experience, as well as our comprehensive capabilities, to accurately identify customers' security requirements and, by adopting the

customer's perspective, propose services that offer truly effective solutions. We recognize that the Japanese government's decision to award a contract to construct, maintain and operate a private finance initiative (PFI) correctional facility in the city of Mine, Yamaguchi Prefecture to a SECOM-led consortium, reflected the government's high evaluation of the consortium's proposal, which focused not only on price, but also on substance and the outstanding level of security offered.

The scope of security needs is also expanding. Our security services subscribers include companies that have come looking for help in formulating a business continuity plan (BCP) to facilitate the resumption of business as quickly as possible in the event of occurrences such as major natural disasters, as well as provide whatever disaster response support services are necessary. BCPs are increasingly being recognized as a crucial component of corporate risk management. With the aim of actively supporting the efforts of corporate subscribers to manage risk, we have been quick to offer a variety of disaster response support services by maximizing our strengths. Most notable is the SECOM Safety Confirmation Service, which helps companies to promptly confirm the whereabouts and safety of employees and their families and collect and share disaster-related information.

In response to these and other changes in the security services market, we continue to build on our comprehensive capabilities—which reflect our ability to effectively apply the expertise and management resources we have accumulated in a variety of businesses—to provide products and services that deliver value and satisfy customers. Going forward, we will also strive to cultivate new markets by helping customers find effective solutions.

## Toward Further Growth

We are pursuing various initiatives aimed at further accelerating growth. The consolidation of affiliated company Nohmi Bosai in December 2006 has facilitated our entry into the fire protection services market. We were already Nohmi Bosai's principal shareholder, and consolidation will reinforce this relationship. The integration of our expertise in security systems with Nohmi Bosai's fire protection technologies will enable us to develop highly competitive, original products that help us to cultivate new markets. This move will also contribute to more efficient operations by allowing us to concentrate related management resources in a manner that capitalizes on our strengths, including consigning the manufacture of fire alarms and security systems to Nohmi Bosai, and to promote joint development of products and services.

In the area of home security services, we will continue to augment our lineup by offering new products and services that deliver enhanced security and peace of mind. Brutal crimes perpetrated when people are at home have been on the increase in recent years. In addition to regular services that protect homes when occupants are away, the SECOM Home Security on-line security system also includes functions to ensure security for occupants when they are at home as standard features. We also offer a wide range of products, including high-impact, breakage-resistant window glass and residential monitoring cameras, which reinforce home security. Looking ahead, we will also continue to reinforce our competitive position in the area of home security by applying the extensive know-how and management resources we have accumulated to date to the provision of various products and services.

In the area of geographic information services, the recent launch of a German commercial



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satellite has made it possible for us to obtain high-resolution geographical data in only a fraction of the time required with conventional satellites. Pasco Corporation, SECOM's geographic information services firm, has obtained exclusive rights in Japan and nonexclusive rights worldwide to sell image data offered by the satellite's operator. In the years ahead, Pasco will continue to build on its accumulated surveying and measuring technologies and geographic information system (GIS) capabilities, as well as its newly acquired access to high-resolution satellite image data, to broaden its service lineup and achieve new growth.

#### Reinforcing Our Corporate Philosophy Groupwide

Today, SECOM has an extensive business portfolio that encompasses security services, fire protection services, medical services, insurance services, geographic information services, and information and communication related and other services. Accordingly, to maximize our comprehensive capabilities and realize our Social System Industry vision, we recognize the need to ensure that employees conduct themselves in a disciplined manner and hold common values.

Shortly after SECOM was established, we published the SECOM Employee Code, containing an employee code of conduct that embodied our corporate philosophy. With the expansion and diversification of our business portfolio, we revised the SECOM Employee Code in December 2006 and renamed it the SECOM Group Code of Employee Conduct, to ensure that all employees, regardless of their occupation, embrace our corporate philosophy, and to establish a foundation from which we can address future challenges together. We are also reinforcing the swift communication of critical information to management in the event of significant occurrences, either internal or external, thereby strengthening our corporate structure to facilitate cohesive Group management. These efforts will position us to leverage the Group's strengths and accelerate growth. We are also striving to enhance operating efficiency in an effort to further reduce costs. Finally, we continue to actively implement measures aimed at realizing the Social System Industry and maximizing our corporate value. In these and all of our endeavors, we look forward to your continued support.

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Kanemasa Haraguchi  
President and Representative Director