Audited Financial Statements

CONTENTS

CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries
March 31, 2007 and 2006

ASSETS	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31		March 31
	2007	2006	2007
Current assets:			
Cash and cash equivalents (Note 6)	¥ 193,215	¥ 231,044	$ 1,637,415
Time deposits	7,194	4,548	60,966
Cash deposits (Note 7)	75,329	65,187	638,381
Short-term investments (Note 8)	14,892	82,135	126,203
Notes and accounts receivable, trade	85,971	55,195	728,568
Due from subscribers	27,963	26,192	236,975
Inventories (Notes 9 and 13)	98,337	64,531	833,364
Short-term receivables (Note 21)	19,727	21,468	167,178
Allowance for doubtful accounts	(1,944)	(1,622)	(16,475)
Deferred insurance acquisition costs (Note 14)	5,695	4,885	48,263
Deferred income taxes (Note 17)	16,947	14,659	143,619
Other current assets	10,912	10,423	92,475
Total current assets	554,238	578,645	4,696,932
Investments and long-term receivables:			
Investment securities (Note 8)	204,142	194,174	1,730,017
Investments in affiliated companies (Note 10)	38,832	38,075	329,085
Long-term receivables (Note 21)	71,271	67,657	603,991
Lease deposits	13,457	12,513	114,042
Other investments	10,139	8,927	85,924
Allowance for doubtful accounts	(9,282)	(10,636)	(78,661)
	328,559	310,710	2,784,398
Property, plant and equipment (Notes 11, 13, 20 and 21):			
Land	77,273	71,270	654,856
Buildings and improvements	143,012	131,995	1,211,966
Security equipment and control stations	233,323	222,398	1,977,314
Machinery, equipment and automobiles	69,446	59,922	588,525
Construction in progress	5,261	8,164	44,585
	528,315	493,749	4,477,246
Accumulated depreciation	(277,810)	(250,660)	(2,354,322)
	250,505	243,089	2,122,924
Other assets:			
Deferred charges (Note 2 (11))	45,208	41,109	383,119
Goodwill (Note 12)	17,363	20,333	147,144
Other intangible assets (Note 12)	23,419	17,273	198,466
Prepaid pension and severance costs (Note 15)	15,817	10,929	134,042
Deferred income taxes (Note 17)	6,073	3,140	51,467
	107,880	92,784	914,238
Total assets	¥1,241,182	¥1,225,228	$10,518,492

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31		March 31
	2007	2006	2007
Current liabilities:			
Bank loans (Notes 7 and 13)	¥ 126,964	¥ 105,750	$ 1,075,966
Current portion of long-term debt (Notes 13 and 20)	10,044	44,714	85,119
Notes and accounts payable, trade	28,892	19,180	244,847
Other payables	29,903	26,434	253,415
Deposits received (Note 7)	50,689	41,297	429,568
Deferred revenue (Note 2 (3))	42,555	41,773	360,636
Accrued income taxes	25,023	22,372	212,059
Accrued payrolls	19,047	16,058	161,415
Other current liabilities (Note 17)	14,993	10,566	127,059
Total current liabilities	348,110	328,144	2,950,084
Long-term debt (Notes 13 and 20)	40,153	35,782	340,280
Guarantee deposits received	30,210	27,479	256,017
Accrued pension and severance costs (Note 15)	18,446	12,583	156,322
Deferred revenue (Note 2 (3))	21,716	20,338	184,034
Unearned premiums and other insurance liabilities (Note 14)	58,266	53,330	493,780
Investment deposits by policyholders (Note 14)	93,361	187,785	791,195
Deferred income taxes (Note 17)	12,635	10,481	107,076
Other liabilities	5,242	4,686	44,425
Total liabilities	628,139	680,608	5,323,213
Minority interests in subsidiaries	61,311	35,924	519,584
Commitments and contingent liabilities (Note 24)			
Shareholders' equity (Note 18):			
Common stock:			
Authorized 900,000,000 shares;			
issued 233,288,717 shares in 2007 and 2006	66,378	66,378	562,525
Additional paid-in capital	79,998	79,996	677,949
Legal reserve	9,923	9,825	84,093
Retained earnings	428,850	386,558	3,634,322
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 8)	8,101	11,127	68,653
Unrealized gains (losses) on derivative instruments (Note 23)	(53)	30	(449)
Minimum pension liability adjustments (Note 15)	—	(388)	—
Pension liability adjustments—After application of SFAS No. 158 (Note 15)	1,272	—	10,780
Foreign currency translation adjustments	2,113	(80)	17,907
	11,433	10,689	96,891
Common stock in treasury, at cost:			
8,318,900 shares in 2007 and 8,301,997 shares in 2006	(44,850)	(44,750)	(380,085)
Total shareholders' equity	551,732	508,696	4,675,695
Total liabilities and shareholders' equity	¥1,241,182	¥1,225,228	$10,518,492

CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2007

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Net sales and operating revenue	¥636,678	¥580,526	¥552,354	$5,395,576
Costs and expenses:				
Cost of sales	410,275	364,932	349,212	3,476,906
Selling, general and administrative expense (Notes 2 (17) and 19)	127,062	128,077	120,113	1,076,797
Impairment loss on long-lived assets (Note 11)	1,176	821	4,568	9,966
Impairment loss on goodwill (Note 12)	2,966	149	93	25,136
Loss on sales and disposal of property, plant and equipment, net	781	2,164	2,810	6,618
Settlement loss of benefit obligation on transfer to defined contribution pension plan (Note 15)	—	2,490	—	—
	542,260	498,633	476,796	4,595,423
Operating income	94,418	81,893	75,558	800,153
Other income:				
Interest and dividends	2,993	2,209	2,119	25,364
Gain on sales of securities, net (Notes 8 and 10)	1,772	10,044	276	15,017
Other (Note 16)	3,672	3,683	4,171	31,119
	8,437	15,936	6,566	71,500
Other expenses:				
Interest	1,815	1,877	1,488	15,381
Loss on other-than-temporary impairment of investment securities	1,026	2,263	227	8,695
Other (Note 16)	4,678	3,961	6,136	39,644
	7,519	8,101	7,851	63,720
Income from continuing operations before income taxes	95,336	89,728	74,273	807,933
Income taxes (Note 17):				
Current	40,136	34,931	32,188	340,136
Deferred	430	2,973	(247)	3,644
	40,566	37,904	31,941	343,780
Income from continuing operations before minority interests in subsidiaries and equity in net income of affiliated companies	54,770	51,824	42,332	464,153
Minority interests in subsidiaries	(4,649)	(3,927)	(2,917)	(39,398)
Equity in net income of affiliated companies	5,768	3,298	2,334	48,881
Income from continuing operations	55,889	51,195	41,749	473,636
Income from discontinued operations, net of tax (Note 25)	—	—	9,877	—
Income before cumulative effect of accounting change	55,889	51,195	51,626	473,636
Cumulative effect of accounting change, net of tax (Notes 2 (2) and (10))	—	(864)	507	—
Net income	¥ 55,889	¥ 50,331	¥ 52,133	$ 473,636

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Per share data (Note 4):				
Income from continuing operations—				
—Basic	¥248.42	¥227.53	¥185.52	$2.11
—Diluted	¥248.42	¥227.53	¥185.52	$2.11
Income from discontinued operations—				
—Basic	¥ —	¥ —	¥ 43.89	$ —
—Diluted	¥ —	¥ —	¥ 43.89	$ —
Cumulative effect of accounting change—				
—Basic	¥ —	¥ (3.84)	¥ 2.25	$ —
—Diluted	¥ —	¥ (3.84)	¥ 2.25	$ —
Net income—				
—Basic	¥248.42	¥223.69	¥231.66	$2.11
—Diluted	¥248.42	¥223.69	¥231.66	$2.11
Cash dividends per share	¥ 60.00	¥ 50.00	¥ 45.00	$0.51

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2007

In millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total
Balance, March 31, 2004	233,281,133	¥66,369	¥79,987	¥9,715	¥305,582	(¥ 1,400)	(¥44,401)	¥415,852
Comprehensive income:								
Net income	—	—	—	—	52,133	—	—	52,133
Other comprehensive income (loss), net of tax (Note 18):								
Unrealized gains on securities—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	2,880	—	2,880
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	(1,840)	—	(1,840)
Unrealized losses on derivative instruments—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	(91)	—	(91)
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	(83)	—	(83)
Minimum pension liability adjustments	—	—	—	—	—	(164)	—	(164)
Foreign currency translation adjustments	—	—	—	—	—	(584)	—	(584)
Total comprehensive income								52,251
Cash dividends	—	—	—	—	(10,127)	—	—	(10,127)
Transfer to legal reserve	—	—	—	72	(72)	—	—	—
Conversion of convertible bonds	7,584	9	9	—	—	—	—	18
Net changes in treasury stock	—	—	—	—	—	—	(157)	(157)
Balance, March 31, 2005	233,288,717	66,378	79,996	9,787	347,516	(1,282)	(44,558)	457,837
Comprehensive income:								
Net income	—	—	—	—	50,331	—	—	50,331
Other comprehensive income (loss), net of tax (Note 18):								
Unrealized gains on securities—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	8,896	—	8,896
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	(3,356)	—	(3,356)
Unrealized gains on derivative instruments—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	97	—	97
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	18	—	18
Minimum pension liability adjustments	—	—	—	—	—	(30)	—	(30)
Foreign currency translation adjustments	—	—	—	—	—	6,346	—	6,346
Total comprehensive income								62,302
Cash dividends	—	—	—	—	(11,251)	—	—	(11,251)
Transfer to legal reserve	—	—	—	38	(38)	—	—	—
Net changes in treasury stock	—	—	—	—	—	—	(192)	(192)
Balance, March 31, 2006	233,288,717	66,378	79,996	9,825	386,558	10,689	(44,750)	508,696
Comprehensive income:								
Net income	—	—	—	—	**55,889**	—	—	**55,889**
Other comprehensive income (loss), net of tax (Note 18):								
Unrealized gains on securities—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	**(1,562)**	—	**(1,562)**
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	**(1,464)**	—	**(1,464)**
Unrealized losses on derivative instruments—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	**(113)**	—	**(113)**
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	**30**	—	**30**
Minimum pension liability adjustments	—	—	—	—	—	**(21)**	—	**(21)**
Foreign currency translation adjustments	—	—	—	—	—	**2,193**	—	**2,193**
Total comprehensive income								**54,952**
Adjustments for initially applying SFAS No. 158, net of tax (Note 15)	—	—	—	—	—	**1,681**	—	**1,681**
Cash dividends	—	—	—	—	**(13,499)**	—	—	**(13,499)**
Transfer to legal reserve	—	—	—	**98**	**(98)**	—	—	—
Gain on disposal of treasury stock	—	—	**2**	—	—	—	—	**2**
Net changes in treasury stock	—	—	—	—	—	—	**(100)**	**(100)**
Balance, March 31, 2007	**233,288,717**	**¥66,378**	**¥79,998**	**¥9,923**	**¥428,850**	**¥11,433**	**(¥44,850)**	**¥551,732**

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

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total
Balance, March 31, 2006	$562,525	$677,932	$83,263	$3,275,915	$90,585	($379,237)	$4,310,983
Comprehensive income:							
Net income	—	—	—	**473,636**	—	—	**473,636**
Other comprehensive income (loss), net of tax (Note 18):							
Unrealized gains on securities—							
Unrealized holding gains or losses arising during the period	—	—	—	—	**(13,237)**	—	**(13,237)**
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	**(12,407)**	—	**(12,407)**
Unrealized losses on derivative instruments—							
Unrealized holding gains or losses arising during the period	—	—	—	—	**(958)**	—	**(958)**
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	**254**	—	**254**
Minimum pension liability adjustments	—	—	—	—	**(178)**	—	**(178)**
Foreign currency translation adjustments	—	—	—	—	**18,585**	—	**18,585**
Total comprehensive income							**465,695**
Adjustments for initially applying SFAS No. 158, net of tax (Note 15)	—	—	—		**14,247**	—	**14,247**
Cash dividends	—	—	—	**(114,399)**	—	—	**(114,399)**
Transfer to legal reserve	—	—	**830**	**(830)**	—	—	—
Gain on disposal of treasury stock	—	**17**	—	—	—	—	**17**
Net changes in treasury stock	—	—	—	—	—	**(848)**	**(848)**
Balance, March 31, 2007	**$562,525**	**$677,949**	**$84,093**	**$3,634,322**	**$96,891**	**($380,085)**	**$4,675,695**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2007

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Cash flows from operating activities:				
Net income	¥ 55,889	¥ 50,331	¥ 52,133	$ 473,636
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization, including amortization of deferred charges	58,248	52,339	51,450	493,627
Accrual for pension and severance costs, less payments	(2,972)	(3,209)	(2,619)	(25,187)
Settlement loss of benefit obligation on transfer to defined contribution pension plan (Note 15)	—	2,490	—	—
Deferred income taxes, including discontinued operations	430	2,973	3,979	3,644
Loss on sales and disposal of property, plant and equipment, net	781	2,164	2,810	6,618
Impairment loss on long-lived assets (Note 11)	1,176	821	5,215	9,966
Impairment loss on goodwill (Note 12)	2,966	149	93	25,136
Gain on sales of securities, net	(5,715)	(14,514)	(3,457)	(48,432)
Loss on other-than-temporary impairment of investment securities	1,357	3,444	722	11,500
Equity in net income of affiliated companies	(5,768)	(3,298)	(2,334)	(48,881)
Minority interests in subsidiaries, including discontinued operations	4,649	3,927	3,368	39,398
Gain on sales of discontinued operations, net (Note 25)	—	—	(13,637)	—
Cumulative effect of accounting change, net of tax (Notes 2 (2) and (10))	—	864	(507)	—
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits	(10,142)	(4,381)	123	(85,949)
Increase in receivables and due from subscribers, net of allowances	(13,798)	(668)	(9,234)	(116,932)
(Increase) decrease in inventories	(17,264)	(24,146)	4,830	(146,305)
Increase in deferred charges	(18,267)	(16,804)	(14,123)	(154,805)
Increase (decrease) in deposits received	9,022	4,175	(2,718)	76,458
Increase in deferred revenue	2,137	3,804	334	18,110
Increase (decrease) in accrued income taxes	1,697	5,590	(1,067)	14,381
Increase (decrease) in guarantee deposits received	2,318	(20)	(5,140)	19,644
Increase in unearned premiums and other insurance liabilities	4,936	6,878	5,088	41,831
Other, net	(3,794)	5,552	9,805	(32,153)
Net cash provided by operating activities	67,886	78,461	85,114	575,305
Cash flows from investing activities:				
(Increase) decrease in time deposits	(2,425)	101	(638)	(20,551)
Proceeds from sales of property, plant and equipment	3,919	10,995	88,507	33,212
Payments for purchases of property, plant and equipment	(46,378)	(44,272)	(43,872)	(393,034)
Proceeds from sales of investment securities	132,923	99,889	66,534	1,126,466
Payments for purchases of investment securities	(103,242)	(68,597)	(96,945)	(874,932)
(Increase) decrease in short-term investments	32,548	868	(26,623)	275,831
Acquisitions, net of cash acquired (Note 5)	4,648	(1,190)	(246)	39,390
Payments for investments in affiliated companies (Note 10)	(5,158)	—	—	(43,712)
(Increase) decrease in short-term receivables, net	(474)	3,065	(6,670)	(4,017)
Payments for long-term receivables	(6,898)	(11,338)	(14,946)	(58,458)
Proceeds from long-term receivables	15,740	18,365	16,836	133,390
Other, net	(3,167)	(4,030)	(5,959)	(26,839)
Net cash provided by (used in) investing activities	22,036	3,856	(24,022)	186,746
Cash flows from financing activities:				
Proceeds from long-term debt	12,154	10,575	10,163	103,000
Repayments of long-term debt	(52,269)	(11,400)	(43,695)	(442,958)
Increase (decrease) in bank loans	20,687	4,387	(9,669)	175,314
Decrease in investment deposits by policyholders	(94,424)	(39,934)	(2,597)	(800,203)
Dividends paid	(13,499)	(11,251)	(10,127)	(114,399)
Increase in treasury stock, net	(100)	(192)	(157)	(848)
Other, net	(920)	(940)	(916)	(7,796)
Net cash used in financing activities	(128,371)	(48,755)	(56,998)	(1,087,890)
Effect of exchange rate changes on cash and cash equivalents	620	470	26	5,254
Net increase (decrease) in cash and cash equivalents	(37,829)	34,032	4,120	(320,585)
Cash and cash equivalents at beginning of year	231,044	197,012	192,892	1,958,000
Cash and cash equivalents at end of year	¥193,215	¥231,044	¥197,012	$1,637,415

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2007

1. Nature of Operations

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

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

2. Significant Accounting Policies

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

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

(1) Basis of Consolidation and Investments in Affiliated Companies

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

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

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

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

(2) Consolidation of Variable Interest Entities

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

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

The Company provides loans and guarantees to organizations managing hospitals and health care-related institutions and to a PFI (Private Finance Initiative) organization which was established to build, maintain and operate correctional facilities. Certain organizations are considered as VIEs under FIN No. 46R. In March 2006, the Company provided additional loans and acquired additional variable interests in three organizations managing hospitals and health care-related organizations. As a result of the acquisitions, the Company has become the primary beneficiary of these organizations and has consolidated these organizations since March 2006. The aggregated fair value of current assets, goodwill, and other non-current assets acquired are ¥1,894 million, ¥1,711 million and ¥6,795 million, respectively, and liabilities assumed are ¥4,144 million. The results of their operations have been included in the consolidated statements of income since the date of acquisition. The consolidated pro forma information that would show the Company's consolidated results of operations for the years ended March 31, 2006 and 2005 has not been disclosed based on materiality considerations.

Total assets held by VIEs to which the Company is primary beneficiary were ¥18,405 million ($155,975 thousand) and ¥21,003 million at March 31, 2007 and 2006, respectively. Total assets held by VIEs to which the Company holds significant variable interests but is not primary beneficiary at March 31, 2007 and 2006 were ¥44,105 million ($373,771 thousand) and ¥28,359 million, respectively. The Company's maximum exposure to losses related to VIEs at March 31, 2007 and 2006 were ¥10,302 million ($87,305 thousand) and ¥12,552 million, respectively.

The Company also provided loans and guarantees to real estate investment companies. Certain investment companies were considered as VIEs under FIN No. 46R. Total assets held by these VIEs to which the Company was primary beneficiary at March 31, 2006 were ¥10,638 million. In September 2006, the Company acquired 100% ownership of these VIEs and consolidated as its subsidiaries. There are no such VIEs to which the Company holds significant variable interests but was not primary beneficiary at March 31, 2007.

(3) Revenue Recognition

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

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

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

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

Revenue from construction contracts for fire protection services is recognized when constructions are completed.

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

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

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

(4) Foreign Currency Translation

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

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

(5) Cash Equivalents

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

(6) Investments in Debt and Equity Securities

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

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

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

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

(7) Inventories

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

(8) Allowance for Doubtful Accounts

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

(9) Deferred Insurance Acquisition Costs

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

(10) Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant leasehold improvements, are carried at cost. Depreciation is computed primarily using the declining-balance method at rates based on the estimated useful lives of the assets. Assets leased to others under operating leases are primarily depreciated using the straight-line method over the estimated useful lives. Depreciation expense was ¥38,719 million ($328,127 thousand), ¥33,042 million and ¥33,465 million for the years ended March 31, 2007, 2006 and 2005, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

Buildings	22 to 50 years
Security equipment and control stations	5 to 8 years
Machinery, equipment and automobiles	3 to 15 years

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

(11) Deferred Charges

Deferred charges primarily consist of costs related to installation services of security equipment related to on-line centralized security services. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥14,474 million ($122,661 thousand), ¥14,045 million and ¥13,583 million for the years ended March 31, 2007, 2006 and 2005, respectively.

(12) Impairment or Disposal of Long-Lived Assets

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

(13) Goodwill and Other Intangible Assets

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

(14) Unearned Premiums and Other Insurance Liabilities

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

(15) Income Taxes

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

(16) Research and Development

Research and development costs are charged to income as incurred.

(17) Advertising Costs

Advertising costs are charged to income as incurred, except for the costs related to insurance policies. Advertising costs for acquiring new insurance policies are deferred and amortized as part of insurance acquisition costs. Advertising expenses included in selling, general and administrative expenses for the years ended March 31, 2007, 2006 and 2005 were ¥5,348 million ($45,322 thousand), ¥6,746 million and ¥5,186 million, respectively.

(18) Derivative Financial Instruments

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

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

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

(19) Discontinued Operations

SFAS No. 144 broadened the scope of discontinued operations to include the operating results of any component of an entity with its own identifiable operations and cash flows which is disposed of or is classified as held for sale, and with which the Company will not have significant continuing involvement. Included in reported discontinued operations are the operating results of certain businesses and properties sold in the year ended March 31, 2005, without significant continuing involvement.

(20) Earnings per Share

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

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

(21) Use of Estimates

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

(22) Recent Pronouncements

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets." This statement amends SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," regarding the accounting for separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. SFAS No. 156 is effective for the fiscal years beginning after September 15, 2006 and is required to be adopted by the Company in the fiscal year beginning April 1, 2007. The Company is currently evaluating the effect of adopting SFAS No. 156 on its consolidated financial statements. It is not anticipated that the adoption will have a material impact on the Company's consolidated results of operations or financial position.

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN No. 48"), "Accounting for Uncertainty in Income Taxes, an interpretation of SFAS No. 109." FIN No. 48 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 is effective for the fiscal years beginning after December 15, 2006 and is required to be adopted by the Company as of April 1, 2007. The Company is currently evaluating the effect of adopting FIN No. 48 on its consolidated financial statements. It is not anticipated that the adoption will have a material impact on the Company's consolidated results of operations or financial position.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statement No. 87, 88, 106, and 132(R)." This statement amends SFAS No. 87, "Employers' Accounting for Pensions," SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension and for Termination Benefits," SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pension," and SFAS No. 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits." This statement requires an employer to recognize the overfunded or underfunded status as an asset or liability in its statement of financial position and to recognize changes in that funded status in comprehensive income (loss) in the year in which the changes occur. This statement replaces SFAS No. 87's requirement to report at least minimum pension liability measured as excess at the accumulated benefit obligation over the fair value at the plan assets. The Company adopted SFAS No. 158 on March 31, 2007. SFAS No. 158's provisions regarding the change in the measurement date will not have a material impact on the Company's consolidated results of operations and financial condition as the Company already uses a measurement date of March 31 for the majority of its plans. Detailed information about the impact of the adoption of SFAS No. 158 is provided in Note 15 to the accompanying consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007, and the Company is required to be adopted in fiscal year beginning after April 1, 2008. The Company is currently evaluating the effect of adopting SFAS No. 157 on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of SFAS No. 115." SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings. SFAS No. 159 will be effective for the Company as of April 1, 2008. The Company is currently evaluating the effect of adopting SFAS No. 159 on its consolidated financial statements.

(23) Reclassifications

The accompanying consolidated financial statements for the years ended March 31, 2006 and 2005 have been reclassified to conform to the presentation used for the year ended March 31, 2007.

3. U.S. Dollar Amounts

U.S. dollar amounts have been included in these financial statements solely for the convenience of the reader. The translations of yen into U.S. dollars have been made at the rate of ¥118=US$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2007. These translations should not be construed as representing that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that rate.

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

Reconciliation of the differences between basic and diluted EPS for the years ended March 31, 2007, 2006 and 2005 is as follows:

	In millions of yen	Thousands of shares	In yen
	Income from continuing operations	Weighted-average shares	EPS
For the year ended March 31, 2007:			
Basic EPS—			
Income from continuing operations	**¥55,889**	**224,974**	**¥248.42**
Effect of dilutive securities—			
Convertible bonds	**—**	**—**	
Diluted EPS—			
Income from continuing operations for diluted EPS computation	**¥55,889**	**224,974**	**¥248.42**
For the year ended March 31, 2006:			
Basic EPS—			
Income from continuing operations	¥51,195	225,002	¥227.53
Effect of dilutive securities—			
Convertible bonds	—	—	
Diluted EPS—			
Income from continuing operations for diluted EPS computation	¥51,195	225,002	¥227.53
For the year ended March 31, 2005:			
Basic EPS—			
Income from continuing operations	¥41,749	225,039	¥185.52
Effect of dilutive securities—			
Convertible bonds	—	3	
Diluted EPS—			
Income from continuing operations for diluted EPS computation	¥41,749	225,042	¥185.52

	In thousands of U.S. dollars	Thousands of shares	In U.S. dollars
	Income from continuing operations	Weighted-average shares	EPS
For the year ended March 31, 2007:			
Basic EPS—			
Income from continuing operations	**$473,636**	**224,974**	**$2.11**
Effect of dilutive securities—			
Convertible bonds	**—**	**—**	
Diluted EPS—			
Income from continuing operations for diluted EPS computation	**$473,636**	**224,974**	**$2.11**

5. Acquisition

In December 2006, the Company acquired 18,500,000 newly issued shares—equivalent to 30.8 percent of total outstanding common stocks—of Nohmi Bosai Ltd. ("Nohmi Bosai"), listed on the First Section of the Tokyo Stock Exchange and operates automatic fire alarm, fire extinguishing and other fire protection systems, for an aggregate amount of ¥14,060 million ($119,153 thousand). As a result of this new share acquisition, the Company owns 50.4 percent of the total outstanding common stocks of Nohmi Bosai. The operating results of Nohmi Bosai and its subsidiaries (collectively, "Nohmi Bosai group") have been included in the consolidated financial statements since the date of acquisition. The Company has been in an alliance with Nohmi Bosai, which had been accounted for under the equity method before this new share acquisition. Purpose of this acquisition is to reinforce its alliance with Nohmi Bosai by integrating the Company's expertise in security systems with Nohmi Bosai's fire protection technologies.

The value of the transaction was determined based on the average closing price of Nohmi Bosai's common stocks on the Tokyo Stock Exchange over the one month period (from October 23, 2006 to November 21, 2006). Price per share was ¥760 ($6.44), which represents a 5.6% discount from the average share price.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The excess of the fair value of acquired net assets over cost was deducted on a pro rata basis to all acquired assets except financial assets other than investments accounted for under the equity method, deferred tax assets, prepaid pension and severance costs, and any other current assets.

	In millions of yen	In thousands of U.S. dollars
Cash and cash equivalents	¥17,513	$148,415
Receivables and other current assets	41,991	355,856
Investments and long-term receivables	9,015	76,398
Property, plant and equipment	5,973	50,619
Intangible assets	4,769	40,415
Total assets acquired	79,261	671,703
Current liabilities	27,001	228,822
Other liabilities	7,757	65,737
Total liabilities assumed	34,758	294,559
Minority interests in subsidiaries	124	1,051
Net assets acquired	¥44,379	$376,093

Substantially all of the trademarks (including trade names) assigned for ¥1,879 million ($15,924 thousand) out of total intangible assets acquired for ¥4,769 million ($40,415 thousand) are not subject to amortization. ¥2,890 million ($24,491 thousand) of acquired intangible assets was assigned to assets subject to amortization, which have a weighted-average useful life of approximately 16 years, including customer contracts and related customer relationships of ¥1,908 million ($16,169 thousand) with a 20-year weighted-average useful life.

The following unaudited pro forma information shows the Company's consolidated results of operations for the year ended March 31, 2007 and 2006 as though Nohmi Bosai group had been consolidated at the beginning of the years.

	Unaudited	
	In millions of yen	
	Years ended March 31	
	2007	2006
Pro forma net sales and operating revenue	¥686,429	¥653,872
Pro forma net income	56,090	50,573

	Unaudited	
	In yen	
	Years ended March 31	
	2007	2006
Pro forma net income per share:		
—Basic	¥249.32	¥224.77
—Diluted	249.32	224.77

The unaudited pro forma data is not necessarily indicative of the Company's consolidated results of operations that would actually have been reported if the transaction in fact had occurred at the beginning of the years, and is not necessarily representative of the Company's consolidated results of operations for any future period.

6. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2007 and 2006 were comprised as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Cash	¥140,849	¥144,024	$1,193,635
Time deposits	34,087	60,345	288,873
Call loan	15,000	25,000	127,119
Investment securities	3,279	1,675	27,788
	¥193,215	¥231,044	$1,637,415

Investment securities include commercial papers and money management funds. These agreements mature within three months and the carrying values approximate market. The Company has not experienced any losses through default of the financial institutions and does not anticipate default of any outstanding agreements.

7. Cash Deposits

The Company operates cash collection and deposit services for financial institutions relating to cash dispensers located outside of financial institution facilities and also operates cash collection service for entities other than financial institutions. Cash deposit balances of ¥75,329 million ($638,381 thousand) and ¥65,187 million at March 31, 2007 and 2006, respectively, are segregated from cash and cash equivalents and are restricted as to use by the Company. The Company funds most of the necessary cash through bank overdrafts and deposits. Bank loans and deposits received, which relate to these operations, were ¥27,668 million ($234,475 thousand) and ¥47,166 million ($399,712 thousand), respectively, at March 31, 2007, and ¥26,069 million and ¥38,511 million, respectively, at March 31, 2006. As part of its fee arrangement, the Company is reimbursed for the interest cost of the related overdrafts.

8. Short-Term Investments and Investment Securities

Short-term investments (current) and investment securities (non-current) include debt and equity securities. The related aggregate fair value, gross unrealized gains, gross unrealized losses and cost pertaining to "available-for-sale" and "held-to-maturity" investments at March 31, 2007 and 2006 were as follows:

	In millions of yen			
	March 31, 2007			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Available-for-sale:				
Equity securities	¥ 60,394	¥19,798	¥3,065	¥ 77,127
Debt securities	103,173	923	1,066	103,030
Total	¥163,567	¥20,721	¥4,131	¥180,157
Held-to-maturity:				
Debt securities	¥ 3,526	¥ —	¥ 20	¥ 3,506

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

	In thousands of U.S. dollars			
	March 31, 2007			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Available-for-sale:				
Equity securities	$ 511,814	$167,779	$25,974	$ 653,619
Debt securities	874,347	7,822	9,034	873,135
Total	$1,386,161	$175,601	$35,008	$1,526,754
Held-to-maturity:				
Debt securities	$ 29,881	$ —	$ 169	$ 29,712

Gross unrealized losses on, and fair value of, "available-for-sale" and "held-to-maturity" securities, aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2007 were as follows:

	In millions of yen			
	March 31, 2007			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities	¥ 8,104	¥ 797	¥ 3,580	¥2,268
Debt securities	29,456	344	35,627	722
Total	¥37,560	¥1,141	¥39,207	¥2,990
Held-to-maturity:				
Debt securities	¥ 397	¥ 5	¥ 2,906	¥ 15

	In thousands of U.S. dollars			
	March 31, 2007			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities	$ 68,678	$6,754	$ 30,339	$19,220
Debt securities	249,627	2,915	301,924	6,119
Total	$318,305	$9,669	$332,263	$25,339
Held-to-maturity:				
Debt securities	$ 3,364	$ 42	$ 24,627	$ 127

At March 31, 2007, debt securities principally consisted of short-term investments in monetary trusts, Japanese government bonds, corporate bonds, U.S. treasury securities and U.S. Government Agency Bonds.

The cost and fair value of "available-for-sale" and "held-to-maturity" debt securities by contractual maturity at March 31, 2007 are as follows:

	In millions of yen			
	March 31, 2007			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	¥ 14,809	¥ 14,759	¥ 113	¥ 113
Due after 1 year through 5 years	34,664	35,166	3,113	3,098
Due after 5 years through 10 years	43,607	43,488	—	—
Due after 10 years	10,093	9,617	300	295
	¥103,173	¥103,030	¥3,526	¥3,506

	In thousands of U.S. dollars			
	March 31, 2007			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	$125,500	$125,076	$ 958	$ 958
Due after 1 year through 5 years	293,763	298,017	26,381	26,254
Due after 5 years through 10 years	369,551	368,542	—	—
Due after 10 years	85,533	81,500	2,542	2,500
	$874,347	$873,135	$29,881	$29,712

During the years ended March 31, 2007, 2006 and 2005, the net unrealized gains on "available-for-sale" securities included as part of other comprehensive income (loss), net of tax, decreased by ¥3,026 million ($25,644 thousand) and increased by ¥5,541 million and ¥1,040 million, respectively.

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2007, 2006 and 2005 were ¥109,405 million ($927,161 thousand), ¥74,869 million and ¥17,826 million, respectively. On those sales, the gross realized gains and gross realized losses, using moving-average cost basis, for the years ended March 31, 2007, 2006 and 2005 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Gross realized gains	¥4,076	¥5,716	¥3,612	$34,542
Gross realized losses	295	74	102	2,500

The Company maintains long-term investment securities, included as investment securities, issued by a number of non-public companies. The aggregate carrying amount of the investments in non-public companies, at cost net of other-than-temporary impairment, was ¥35,351 million ($299,585 thousand) and ¥35,861 million at March 31, 2007 and 2006, respectively. The corresponding fair value at that date was not computed as such estimation was not practicable.

9. Inventories

Inventories at March 31, 2007 and 2006 comprised the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Security-related products	¥ 7,603	¥ 7,310	$ 64,432
Fire protection-related products	13,599	—	115,246
Real estate	72,218	53,112	612,017
Information and other-related products	4,917	4,109	41,669
	¥98,337	¥64,531	$833,364

Work in process real estate inventories at March 31, 2007 and 2006, amounting to ¥64,257 million ($544,551 thousand) and ¥48,500 million, respectively, are included in real estate.

10. Investments in Affiliated Companies

The Company has investments in affiliated companies that are accounted for under the equity method. Investments principally consist of investments in Taiwan Secom Co., Ltd., a 28.1 percent owned affiliate, which is listed on the Taiwan Stock Exchange; S1 Corporation, a 27.4 percent owned affiliate, which is listed on the Korea Stock Exchange; and Toyo Tech Co., Ltd., a 25.4 percent owned affiliate newly acquired—amounting to ¥5,146 million ($43,610 thousand)—in December 2006, which is listed on the Second Section of the Osaka Securities Exchange.

In December 2006, the Company additionally acquired 18,500,000 newly issued shares of Nohmi Bosai, listed on the First Section of the Tokyo Stock Exchange, and as a result the Company owned 50.4 percent of its ownership. Nohmi Bosai had been accounted for under the equity method before the acquisition and has been consolidated as its subsidiaries since the date of acquisition. (For more details, see Note 5.)

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

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Current assets	¥ 78,568	¥ 89,410	$ 665,830
Non-current assets	121,889	117,499	1,032,958
Total assets	¥200,457	¥206,909	$1,698,788
Current liabilities	¥ 40,444	¥ 51,740	$ 342,746
Non-current liabilities	37,559	31,622	318,296
Shareholders' equity	122,454	123,547	1,037,746
Total liabilities and shareholders' equity	¥200,457	¥206,909	$1,698,788

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Net sales	¥196,486	¥213,967	¥201,253	$1,665,136
Gross profit	¥ 67,315	¥ 71,863	¥ 65,276	$ 570,466
Net income	¥ 18,851	¥ 15,371	¥ 11,362	$ 159,754

Dividends received from affiliated companies for the years ended March 31, 2007, 2006 and 2005 were ¥2,193 million ($18,585 thousand), ¥2,068 million and ¥1,524 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥29,652 million ($251,288 thousand) and ¥28,839 million at March 31, 2007 and 2006, respectively, had a quoted market value of ¥71,917 million ($609,466 thousand) and ¥82,385 million at March 31, 2007 and 2006, respectively.

The unamortized amounts of goodwill were ¥2,851 million ($24,161 thousand) and ¥1,556 million at March 31, 2007 and 2006, respectively.

In November 2006, the parent company sold the outstanding shares of Miyagi Network Inc., a 39.4 percent owned affiliate, to Mediatti Communications, Inc. for ¥1,419 million ($12,025 thousand). The sales resulted in a gain of ¥855 million ($7,246 thousand).

In March 2006, the parent company sold 23.8 percent of the outstanding shares of Japan Cablenet Holdings Limited, a 26.0 percent owned affiliate, to KDDI Corporation for ¥12,393 million. The sale resulted in a gain of ¥6,710 million.

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Sales	¥1,843	¥1,926	¥1,740	$15,619
Purchases	¥3,777	¥6,077	¥5,574	$32,008

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Notes and accounts receivable, trade	¥811	¥ 751	$6,873
Loan receivables	¥100	¥ 75	$ 847
Notes and accounts payable	¥205	¥ 594	$1,737
Guarantees for bank loans	¥ 9	¥1,633	$ 76

11. Long-Lived Assets

The Company has assessed the potential impairment for its long-lived assets. As a result of significant decreases in rental rates, market prices and revenue forecasts, and changes of assumptions regarding useful lives before sale, the Company principally recognized impairment losses on medical services equipment for the year ended March 31, 2007, idle properties for the year ended March 31, 2006, properties of hotel business for the year ended March 31, 2005. The fair value was determined by the estimated present value of future cash flows or appraisal value.

Impairment loss on long-lived assets by business segment for the years ended March 31, 2007, 2006 and 2005 was as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Security services	¥ —	¥ 63	¥1,350	$ —
Fire protection services	32	—	—	271
Medical services	1,134	—	25	9,610
Insurance services	—	—	647	—
Geographic information services	10	—	—	85
Information and communication related and other services	—	59	2,724	—
Corporate items	—	699	469	—
Total	¥1,176	¥821	¥5,215	$9,966

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

12. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2007 and 2006 were as follows:

	In millions of yen		
	March 31, 2007		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	¥31,750	(¥16,370)	¥15,380
Other	6,092	(2,194)	3,898
Total	¥37,842	(¥18,564)	¥19,278
Unamortized intangible assets	¥ 4,141	¥ —	¥ 4,141

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

	In thousands of U.S. dollars		
	March 31, 2007		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	$269,068	($138,729)	$130,339
Other	51,627	(18,593)	33,034
Total	$320,695	($157,322)	$163,373
Unamortized intangible assets	$ 35,093	$ —	$ 35,093

The net carrying amount of amortized and unamortized intangible assets acquired in a purchase business combination were ¥2,841 million ($24,076 thousand) and ¥1,879 million ($15,924 thousand), respectively, at March 31, 2007.

Aggregate amortization expense for the years ended March 31, 2007, 2006 and 2005 was ¥5,055 million ($42,839 thousand), ¥5,251 million and ¥4,402 million, respectively. The weighted average amortization period for internal use software is approximately five years.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2008	¥5,212	$44,169
2009	4,567	38,703
2010	3,545	30,042
2011	2,686	22,763
2012	1,784	15,119

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2007 and 2006 were as follows:

	In millions of yen				
	Security services	Medical services	Geographic information services	Information and communication related and other services	Total
March 31, 2005	¥1,282	¥7,234	¥3,853	¥5,701	¥18,070
Goodwill acquired during the year	—	2,298	—	176	2,474
Disposal	—	—	(82)	—	(82)
Impairment losses	—	(149)	—	—	(149)
Translation adjustment	20	—	—	—	20
March 31, 2006	1,302	9,383	3,771	5,877	20,333
Goodwill acquired during the year	—	—	4	—	4
Disposal	—	—	—	(163)	(163)
Impairment losses	—	(2,336)	(152)	(478)	(2,966)
Translation adjustment	155	—	—	—	155
March 31, 2007	**¥1,457**	**¥7,047**	**¥3,623**	**¥5,236**	**¥17,363**

	In thousands of U.S. dollars				
	Security services	Medical services	Geographic information services	Information and communication related and other services	Total
March 31, 2006	$11,034	$79,517	$31,958	$49,805	$172,314
Goodwill acquired during the year	—	—	34	—	34
Disposal	—	—	—	(1,381)	(1,381)
Impairment losses	—	(19,797)	(1,288)	(4,051)	(25,136)
Translation adjustment	1,313	—	—	—	1,313
March 31, 2007	**$12,347**	**$59,720**	**$30,704**	**$44,373**	**$147,144**

The Company recognized impairment loss of ¥2,336 million ($19,797 thousand) for the year ended March 31, 2007 related to goodwill allocated to the reporting units in the medical services segment due to decreases in the estimated fair value of these organizations mainly caused by a decrease of expected cash flows. In addition, the Company recognized impairment losses of ¥152 million ($1,288 thousand) and ¥478 million ($4,051 thousand) in the geographic information services segment and the information and communication related and other services segment, respectively. The fair value was determined by the estimated present value of future cash flows or quoted market prices.

13. Bank Loans and Long-Term Debt

Bank loans of ¥126,964 million ($1,075,966 thousand) and ¥105,750 million at March 31, 2007 and 2006, respectively, are generally comprised of 30 to 365 day notes. Their interest rates ranged from 0.59 to 5.37 percent and from 0.57 to 5.37 percent at March 31, 2007 and 2006, respectively. Substantially all of these loans are borrowed from banks. The Company has entered into basic agreements with these banks which state that, with respect to all present or future loans with such banks, collateral (including sums on deposit with such banks) or guarantors shall be provided immediately upon request. Further, any collateral furnished pursuant to such agreements or otherwise will be applicable to all indebtedness to such banks. The Company has not been requested to submit such additional security.

At March 31, 2007, Pasco Corporation (“PASCO”) and Nohmi Bosai, subsidiaries of the parent company, had unused committed lines of credit from short-term arrangements aggregating ¥1,500 million ($12,712 thousand) and ¥4,000 million ($33,898 thousand), respectively. The lines of credit expire in July 2007 and March 2010, respectively. PASCO has the ability and intent to extend these lines of credit under similar terms and conditions in July 2007. Under the agreements, PASCO and Nohmi Bosai are required to pay committed fees at an annual rate of 0.40 percent and 0.15 percent, respectively, on the unused portion of the lines of credit. At March 31, 2007, Secom Home Life Co., Ltd. (“Secom Home Life”), a subsidiary of the parent company, had overdraft agreements with five banks and its unused lines of credit amounted to ¥27,900 million ($236,441 thousand). However, Secom Home Life incurs no fee on the unused portion of the lines of credit. The overdraft agreements expire in the period from April 2007 to March 2008. Secom Home Life has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2007 and 2006 comprised the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2007	2006	**2007**
Loans, principally from banks due 2007–2025 with interest rates ranging from 0.00 to 5.37% in 2007 and 2006:			
Secured	**¥17,252**	¥20,202	**$146,203**
Unsecured	**2,456**	4,281	**20,814**
0.53% unsecured bonds due 2006	**—**	30,000	**—**
0.46% unsecured bonds due 2007	**1,500**	1,500	**12,712**
0.48% unsecured bonds due 2007	**—**	1,000	**—**
0.61% unsecured bonds due 2010	**1,050**	1,350	**8,899**
0.91% unsecured bonds due 2010	**880**	1,100	**7,458**
Unsecured bonds due 2009–2014 with floating interest rates based on 6-month TIBOR plus 0.15%–0.20%	**13,868**	8,440	**117,525**
Obligations under capital leases, due 2006–2026 (Note 20)	**13,191**	12,623	**111,788**
	50,197	80,496	**425,399**
Less:			
Portion due within one year	**10,044**	44,714	**85,119**
	¥40,153	¥35,782	**$340,280**

Property, plant and equipment with a carrying amount of ¥52,837 million ($447,771 thousand), inventories with a carrying amount of ¥61,532 million ($521,458 thousand), investment securities with a carrying amount of ¥1,375 million ($11,653 thousand), time deposits of ¥420 million ($3,559 thousand), loans of ¥165 million ($1,398 thousand) and other intangible assets and other with a carrying amount of ¥1,593 million ($13,500 thousand) were pledged as collateral for bank loans and long-term debt at March 31, 2007.

The aggregate annual maturities on long-term debt after March 31, 2007 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2008	¥10,044	$ 85,119
2009	6,986	59,204
2010	14,320	121,356
2011	5,989	50,754
2012	3,273	27,737
Thereafter	9,585	81,229
	¥50,197	$425,399

14. Insurance-Related Operations

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

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

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

The amounts of net equity of Secom Insurance at March 31, 2007 and 2006 were ¥30,553 million ($258,924 thousand) and ¥29,847 million, respectively.

Net sales and operating revenue of Secom Insurance include net realized investment gains and losses, including the results on sales of securities, loss on other-than-temporary impairment of investment securities and impairment loss on long-lived assets. Net realized investment gains for the years ended March 31, 2007, 2006 and 2005 were ¥3,612 million ($30,610 thousand), ¥3,290 million and ¥2,039 million, respectively.

15. Pension and Severance Costs

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

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

In April 2005, the parent company and certain domestic subsidiaries transferred an additional portion of the cash balance pension plan to the defined contribution pension plan. Accordingly, the ratio of the accumulated amount in the cash balance pension plan and the amount of contributions to the defined contribution pension plan changed to 70 percent and 30 percent, including portions funded in prior periods. The contribution from the cash balance pension plan to the defined contribution plan, which was equivalent to the benefit transferred to the defined contribution pension plan, was ¥4,257 million. In accordance with SFAS No. 88, the Company accounted for these transfers as a partial settlement of benefit obligation and recognized settlement losses of ¥2,490 million as “Settlement loss of benefit obligation on transfer to defined contribution pension plan” in the consolidated statements of income for the year ended March 31, 2006.

On March 31, 2007, the Company adopted the recognition and disclosure provisions of SFAS No. 158. SFAS No. 158 required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheet at March 31, 2007, with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax. The adjustment to accumulated other comprehensive income (loss) at adoption represents the unrecognized actuarial loss and unrecognized prior service benefit, both of which were previously netted against the plan's funded status in the consolidated balance sheets pursuant to the provisions of SFAS No. 87. These amounts will be subsequently recognized as net periodic pension and severance costs pursuant to the Company's historical accounting policy for amortizing such amounts. In addition, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension and severance cost in the same periods will be recognized as other comprehensive income (loss). Those amounts will be subsequently recognized as a component of net periodic pension and severance cost on the same basis as the amounts recognized in accumulated other comprehensive income (loss) at adoption of SFAS No. 158.

The incremental effects of adopting the provision of SFAS No. 158 on the consolidated balance sheet at March 31, 2007 are as follows:

	In millions of yen		
	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Prepaid pension and severance costs	¥13,239	¥2,578	¥15,817
Deferred income taxes (Other assets)	7,107	(1,034)	6,073
Accrued pension and severance costs	17,914	532	18,446
Minority interests in subsidiaries	61,706	(395)	61,311
Accumulated other comprehensive income (loss)	13,114	(1,681)	11,433

	In thousands of U.S. dollars		
	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Prepaid pension and severance costs	$112,195	$21,847	$134,042
Deferred income taxes (Other assets)	60,230	(8,763)	51,467
Accrued pension and severance costs	151,814	4,508	156,322
Minority interests in subsidiaries	522,931	(3,347)	519,584
Accumulated other comprehensive income (loss)	111,138	(14,247)	96,891

Net periodic pension and severance costs for the years ended March 31, 2007, 2006 and 2005 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Net periodic pension and severance costs:				
Service cost	¥3,998	¥3,629	¥3,473	$33,881
Interest cost	1,146	1,097	1,237	9,712
Expected return on plan assets	(1,620)	(1,550)	(1,767)	(13,729)
Amortization of transition assets	—	—	(40)	—
Amortization of prior service benefit	(1,715)	(1,715)	(1,654)	(14,534)
Recognized actuarial loss	1,123	962	907	9,517
Net periodic pension and severance costs	¥2,932	¥2,423	¥2,156	$24,847

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

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2007	2006	2007
Change in benefit obligation:			
Benefit obligation at beginning of year	¥57,975	¥61,634	$491,314
Service cost	3,998	3,629	33,881
Interest cost	1,146	1,097	9,712
Actuarial loss (gain)	208	(291)	1,763
Benefits paid	(3,495)	(3,958)	(29,619)
Acquisition	11,168	247	94,644
Divestiture	—	(126)	—
Settlement	—	(4,257)	—
Benefit obligation at end of year	71,000	57,975	601,695
Change in plan assets:			
Fair value of plan assets at beginning of year	57,118	51,695	484,051
Actual return on plan assets	4,685	8,100	39,703
Employer contribution	4,818	4,137	40,831
Benefits paid	(2,518)	(2,496)	(21,339)
Acquisition	4,268	—	36,169
Divestiture	—	(61)	—
Settlement	—	(4,257)	—
Fair value of plan assets at end of year	68,371	57,118	579,415
Funded status at the end of year	(¥ 2,629)	(¥ 857)	($ 22,280)

Amounts recognized in the consolidated balance sheet at March 31, 2007 consist of:

	In millions of yen	In thousands of U.S. dollars
Prepaid pension and severance costs	¥15,817	$134,042
Accrued pension and severance costs	(18,446)	(156,322)
Net amount recognized	(¥ 2,629)	($ 22,280)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2007 consist of:

	In millions of yen	In thousands of U.S. dollars
Actuarial loss	¥13,771	$116,703
Prior service benefit	(16,042)	(135,949)
	(¥ 2,271)	($ 19,246)

The funded status at March 31, 2006, reconciled to the net amount recognized in the consolidated balance sheet at that date, is as follows:

	In millions of yen
Funded status	(¥ 857)
Unrecognized actuarial loss	17,649
Unrecognized prior service benefit	(17,757)
Net amount recognized	(¥ 965)

Amounts recognized in the consolidated balance sheet at March 31, 2006 consist of:

	In millions of yen
Prepaid pension and severance costs	¥10,929
Accrued pension and severance costs	(12,583)
Accumulated other comprehensive income (loss), gross of tax	689
Net amount recognized	(¥ 965)

The accumulated benefit obligation for the pension plan was ¥65,283 million ($553,246 thousand) and ¥53,804 million at March 31, 2007 and 2006, respectively.

The Company recognized a minimum pension liability in the consolidated balance sheets for pension plans with an accumulated benefit obligation in excess of plan assets at March 31, 2006.

The minimum pension liability which exceeded the unrecognized prior service cost was recorded as a component of accumulated other comprehensive income (loss), net of tax, of ¥388 million at March 31, 2006.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligation in excess of plan assets were ¥28,207 million ($239,042 thousand), ¥25,401 million ($215,263 thousand) and ¥9,853 million ($83,500 thousand), respectively, at March 31, 2007, and ¥16,215 million, ¥15,082 million and ¥4,261 million, respectively, at March 31, 2006.

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

Weighted-average assumptions used to determine the benefit obligation at March 31, 2007 and 2006 were as follows:

	March 31	
	2007	2006
Discount rate	2.0%	1.9%
Rate of compensation increase	2.7	2.7

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2007, 2006 and 2005 were as follows:

	Years ended March 31		
	2007	2006	2005
Discount rate	1.9%	2.0%	2.0%
Expected return on plan assets	3.0	3.0	3.0
Rate of compensation increase	2.7	2.7	2.7

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

The weighted-average asset allocation of the Company's pension plans at March 31, 2007 and 2006 were as follows:

	March 31	
	2007	2006
Asset category:		
Equity securities	39.9%	39.5%
Debt securities	26.9	30.9
Call loan	6.0	10.3
Other	27.2	19.3
Total	100.0%	100.0%

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

The Company expects to contribute ¥4,504 million ($38,169 thousand) to its domestic defined benefit plans in the year ending March 31, 2008.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2008	¥ 5,639	$ 47,788
2009	5,556	47,085
2010	4,585	38,856
2011	4,464	37,831
2012	4,511	38,229
2013–2017	22,740	192,712

The parent company and certain subsidiaries have defined contribution pension plans. The contributions to the defined contribution pension plans for the years ended March 31, 2007, 2006 and 2005 were ¥1,392 million ($11,797 thousand), ¥1,365 million and ¥892 million, respectively.

The estimated prior service benefit and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are ¥1,715 million ($14,534 thousand) and ¥989 million ($8,381 thousand), respectively.

16. Exchange Gains and Losses

Other income for the years ended March 31, 2007 and 2006 includes net exchange gains of ¥76 million ($644 thousand) and ¥664 million, respectively. Other expense for the year ended March 31, 2005 includes net exchange losses of ¥177 million.

17. Income Taxes

Total income taxes for the years ended March 31, 2007, 2006 and 2005 were allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Income from continuing operations	¥40,566	¥37,904	¥31,941	$343,780
Income from discontinued operations	—	—	931	—
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains on securities	(3,437)	3,672	621	(29,127)
Unrealized gains (losses) on derivative instruments	(17)	79	(118)	(144)
Minimum pension liability adjustments	(20)	(27)	(105)	(169)
Foreign currency translation adjustments	476	971	(904)	4,034
Adjustments for initially applying SFAS No. 158	897	—	—	7,601
	¥38,465	¥42,599	¥32,366	$325,975

The parent company and its domestic subsidiaries were subject to a corporate tax of 30 percent, an inhabitants tax of approximately 20.3 percent, and a deductible enterprise tax of approximately 7.4 percent, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 40.5 percent for the years ended March 31, 2007, 2006 and 2005.

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Income taxes computed at statutory tax rate of 40.5%	¥38,611	¥36,340	¥30,081	$327,212
Increase (decrease) resulting from:				
Unrecognized tax benefits from subsidiaries in loss positions	1,552	1,366	387	13,153
Reversal of valuation allowance due to utilization of operating loss carryforwards	(1,629)	(642)	(316)	(13,805)
Per capita tax	713	699	709	6,042
Other, net	1,319	141	1,080	11,178
Consolidated income taxes from continuing operations	¥40,566	¥37,904	¥31,941	$343,780

The significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Deferred tax assets:			
Deferred revenue	¥13,201	¥12,727	$111,873
Operating loss carryforwards	9,544	10,417	80,881
Adjustment of book value at the date of acquisition—			
Land and buildings	5,147	4,130	43,619
Other assets	2,764	2,583	23,424
Accrued pension and severance costs	7,400	5,358	62,712
Property, plant and equipment	6,795	4,677	57,585
Accrued bonus	4,781	3,715	40,517
Investment securities	2,980	3,318	25,254
Allowance for doubtful accounts	2,350	3,547	19,915
Vacation accrual	2,287	2,017	19,381
Intangible assets	1,955	2,037	16,568
Other	8,915	7,258	75,551
Gross deferred tax assets	68,119	61,784	577,280
Less: Valuation allowance	(15,591)	(15,346)	(132,127)
Total deferred tax assets	52,528	46,438	445,153

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Deferred tax liabilities:			
Deferred installation costs	(8,483)	(8,286)	(71,890)
Adjustment of book value at the date of acquisition—			
Land and buildings	(5,607)	(5,554)	(47,517)
Long-term receivables	(1,752)	(1,764)	(14,847)
Unrealized gains on securities	(6,825)	(9,427)	(57,839)
Investments in affiliated companies	(6,732)	(5,748)	(57,051)
Prepaid pension and severance costs	(5,918)	(4,470)	(50,153)
Unearned premiums and other insurance liabilities	(2,347)	(1,194)	(19,890)
Other	(5,457)	(3,649)	(46,246)
Gross deferred tax liabilities	(43,121)	(40,092)	(365,433)
Net deferred tax assets	¥ 9,407	¥ 6,346	$ 79,720

The valuation allowance principally relates to deferred tax assets of the subsidiaries with operating loss carryforwards, for tax purposes, that are not expected to be realized. The net change in the total valuation allowance for the years ended March 31, 2007 and 2006 was an increase of ¥245 million ($2,076 thousand) and ¥2,754 million, respectively.

In assessing the realizability of deferred tax assets, the Company management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company management considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2007 and 2006.

Net deferred tax assets at March 31, 2007 and 2006 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Deferred income taxes (Current assets)	¥16,947	¥14,659	$143,619
Deferred income taxes (Other assets)	6,073	3,140	51,467
Other current liabilities	(978)	(972)	(8,290)
Deferred income taxes (Liabilities)	(12,635)	(10,481)	(107,076)
Net deferred tax assets	¥ 9,407	¥ 6,346	$ 79,720

The Company has not recognized deferred tax liabilities of ¥595 million ($5,042 thousand) for a portion of undistributed earnings of foreign subsidiaries totaling ¥6,151 million ($52,127 thousand) at March 31, 2007 because they are not expected to be remitted in the foreseeable future.

At March 31, 2007, the operating loss carryforwards of domestic subsidiaries amounted to ¥19,174 million ($162,492 thousand) and are available for offsetting against future taxable earnings of such subsidiaries for up to seven years, as follows:

Expires in the years ending March 31	In millions of yen	In thousands of U.S. dollars
2008	¥ —	$ —
2009	71	602
2010	1,606	13,610
2011	5,094	43,169
2012	5,579	47,280
2013	2,707	22,941
2014	4,117	34,890
	¥19,174	$162,492

The operating loss carryforwards of overseas subsidiaries at March 31, 2007 amounted to ¥6,245 million ($52,924 thousand), a part of which will begin to expire in the year ending March 31, 2008.

18. Shareholders' Equity

(1) Retained Earnings

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

The amount available for dividends under the Japanese Corporate Law is based on the amount recorded in the parent company's nonconsolidated statutory financial statements in accordance with the accounting principle generally accepted in Japan. Such amount was ¥331,124 million ($2,806,136 thousand) at March 31, 2007.

Subsequent to March 31, 2007, the parent company's Board of Directors declared an annual cash dividend of ¥17,997 million ($152,517 thousand) to shareholders of record on March 31, 2007. The dividend declared was approved at the general shareholders' meeting held on June 27, 2007. Dividends are recorded in the period they are declared.

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

(2) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) for the years ended March 31, 2007, 2006 and 2005 is as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2007:			
Unrealized gains on securities—			
Unrealized holding gains or losses arising during the period	**(¥ 2,924)**	**¥1,362**	**(¥ 1,562)**
Less: Reclassification adjustment for gains or losses included in net income	**(3,539)**	**2,075**	**(1,464)**
Unrealized losses on derivative instruments—			
Unrealized holding gains or losses arising during the year	**(132)**	**19**	**(113)**
Less: Reclassification adjustment for gains or losses included in net income	**32**	**(2)**	**30**
Minimum pension liability adjustments	**(41)**	**20**	**(21)**
Foreign currency translation adjustments	**2,669**	**(476)**	**2,193**
Other comprehensive income (loss)	**(¥ 3,935)**	**¥2,998**	**(¥ 937)**
For the year ended March 31, 2006:			
Unrealized gains on securities—			
Unrealized holding gains or losses arising during the period	¥14,660	(¥5,764)	¥ 8,896
Less: Reclassification adjustment for gains or losses included in net income	(5,448)	2,092	(3,356)
Unrealized gains on derivative instruments—			
Unrealized holding gains or losses arising during the year	163	(66)	97
Less: Reclassification adjustment for gains or losses included in net income	31	(13)	18
Minimum pension liability adjustments	(57)	27	(30)
Foreign currency translation adjustments	7,317	(971)	6,346
Other comprehensive income (loss)	¥16,666	(¥4,695)	¥11,971

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2005:			
Unrealized gains on securities—			
Unrealized holding gains or losses arising during the period	¥4,579	(¥1,699)	¥2,880
Less: Reclassification adjustment for gains or losses included in net income	(2,918)	1,078	(1,840)
Unrealized losses on derivative instruments—			
Unrealized holding gains or losses arising during the year	(152)	61	(91)
Less: Reclassification adjustment for gains or losses included in net income	(140)	57	(83)
Minimum pension liability adjustments	(269)	105	(164)
Foreign currency translation adjustments	(1,488)	904	(584)
Other comprehensive income (loss)	(¥ 388)	¥ 506	¥ 118

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2007:			
Unrealized gains on securities—			
Unrealized holding gains or losses arising during the period	**($24,779)**	**$11,542**	**($13,237)**
Less: Reclassification adjustment for gains or losses included in net income	**(29,992)**	**17,585**	**(12,407)**
Unrealized losses on derivative instruments—			
Unrealized holding gains or losses arising during the year	**(1,119)**	**161**	**(958)**
Less: Reclassification adjustment for gains or losses included in net income	**271**	**(17)**	**254**
Minimum pension liability adjustments	**(347)**	**169**	**(178)**
Foreign currency translation adjustments	**22,619**	**(4,034)**	**18,585**
Other comprehensive income (loss)	**($33,347)**	**$25,406**	**($ 7,941)**

19. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2007, 2006 and 2005 were ¥5,875 million ($49,788 thousand), ¥4,061 million and ¥4,470 million, respectively.

20. Lessee

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

On April 23, 1996, the Company entered into a long-term lease agreement for a building and land in Mitaka, Tokyo. The lease agreement extends for 30 years beginning May 1, 1996. For financial reporting purposes, the portion of the lease relating to the building has been classified as a capital lease; accordingly, an asset of approximately ¥5,086 million ($43,102 thousand) has been recorded in the building and improvements account. The portion of the lease relating to the land has been classified as an operating lease. The future minimum lease payments for the site at March 31, 2007 were ¥6,248 million ($52,949 thousand).

A summary of leased assets under capital leases at March 31, 2007 and 2006 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Buildings and improvements	¥ 5,208	¥ 5,185	$ 44,136
Machinery, equipment and automobiles	16,531	14,599	140,093
Other intangible assets	723	407	6,127
Accumulated depreciation	(10,488)	(8,532)	(88,881)
	¥11,974	¥11,659	$101,475

Depreciation expenses under capital leases for the years ended March 31, 2007, 2006 and 2005 were ¥3,704 million ($31,390 thousand), ¥3,576 million and ¥3,146 million, respectively.

The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments at March 31, 2007:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2008	¥ 4,078	$ 34,559
2009	3,038	25,746
2010	2,116	17,932
2011	1,237	10,483
2012	722	6,119
Thereafter	4,947	41,924
Total minimum lease payments	16,138	136,763
Less: Amount representing interest	2,947	24,975
Present value of net minimum lease payments (Note 13)	13,191	111,788
Less: Current portion	3,614	30,627
Long-term capital lease obligations	¥ 9,577	$ 81,161

Rental expenses under operating leases for the years ended March 31, 2007, 2006 and 2005 were ¥15,771 million ($133,653 thousand), ¥15,415 million and ¥14,616 million, respectively. A significant portion of such rentals relates to cancelable short-term leases for office space and employee residential facilities, many of which are renewed upon expiration.

On December 8, 2000, the Company entered into a lease agreement for a building and land in Shibuya, Tokyo. The lease agreement extends for 20 years beginning December 8, 2000. For financial reporting purposes, the lease has been classified as an operating lease. Based on the agreement, annual lease payments for the site are approximately ¥1,339 million ($11,347 thousand) over a 20-year period.

The future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at March 31, 2007 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2008	¥ 2,335	$ 19,788
2009	2,289	19,398
2010	2,224	18,848
2011	2,200	18,644
2012	2,194	18,593
Thereafter	23,092	195,695
Total future minimum lease payments	¥34,334	$290,966

21. Lessor

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

A summary of lease receivables under sales-type and direct-financing leases at March 31, 2007 and 2006 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2007	2006	**2007**
Total minimum lease payments to be received	**¥32,375**	¥29,574	**$274,364**
Estimated executory cost	**(2,034)**	(1,926)	**(17,237)**
Estimated unguaranteed residual value	**2,161**	2,160	**18,314**
Unearned income	**(6,289)**	(6,559)	**(53,297)**
Lease receivables, net	**26,213**	23,249	**222,144**
Less: Current portion	**(6,340)**	(5,122)	**(53,729)**
Long-term lease receivables, net	**¥19,873**	¥18,127	**$168,415**

The following is a schedule by year of future minimum lease payments to be received under sales-type leases and direct-financing leases at March 31, 2007:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2008	¥ 7,337	$ 62,178
2009	6,095	51,653
2010	5,035	42,669
2011	3,559	30,161
2012	1,692	14,339
Thereafter	8,657	73,364
Total future minimum lease payments to be received	¥32,375	$274,364

A summary of investment in property on operating leases and property held for lease at March 31, 2007 and 2006 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2007	2006	**2007**
Land	**¥25,686**	¥20,928	**$217,678**
Buildings and improvements	**26,299**	25,737	**222,873**
Other intangible assets	**775**	1,158	**6,568**
Accumulated depreciation	**(6,881)**	(6,324)	**(58,314)**
	¥45,879	¥41,499	**$388,805**

The future minimum rentals on non-cancelable operating leases at March 31, 2007 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2008	¥ 2,749	$ 23,297
2009	715	6,059
2010	715	6,059
2011	715	6,059
2012	715	6,059
Thereafter	12,659	107,281
Total future minimum rentals	¥18,268	$154,814

22. Fair Value of Financial Instruments

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

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

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

(2) Long-Term Receivables

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

(3) Long-Term Debt Including Current Portion

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

(4) Investment Deposits by Policyholders

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

(5) Derivatives

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

The carrying amounts and estimated fair values of the financial instruments excluding debt and equity securities which are disclosed in Note 8 at March 31, 2007 and 2006 are as follows:

	In millions of yen			
	March 31			
	2007		2006	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Liabilities—				
Long-term debt including current portion	¥50,197	¥50,134	¥ 80,496	¥ 80,465
Investment deposits by policyholders	93,361	95,246	187,785	192,002
Derivatives:				
Assets—				
Interest rate swaps	8	8	32	32
Liabilities—				
Interest rate swaps	84	84	5	5

	In thousands of U.S. dollars	
	March 31	
	2007	
	Carrying amount	Estimated fair value
Non-derivatives:		
Liabilities—		
Long-term debt including current portion	$425,399	$424,864
Investment deposits by policyholders	791,195	807,169
Derivatives:		
Assets—		
Interest rate swaps	68	68
Liabilities—		
Interest rate swaps	712	712

Limitation:

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

23. Derivative Financial Instruments

(1) Risk Management Policy

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

(2) Interest Rate Risk Management

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

(3) Cash Flow Hedge

The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originated from floating rate borrowings. The interest rate swap agreements mature at various dates through 2012. The effective portion of changes in fair values of derivative instruments designated as cash flow hedges of these debt obligations are reported in other comprehensive income (loss). These amounts are reclassified into current income in the same period that hedged items affect current income. The ineffective portion of changes in fair values are reported in income immediately. The sum of the amount of the hedge ineffectiveness and net gains or losses excluded from the assessment of hedge effectiveness is not material for the years ended March 31, 2007, 2006 and 2005. Approximately ¥8 million ($68 thousand) of net derivative losses included in other comprehensive income (loss), net of tax at March 31, 2007, will be reclassified into current income within 12 months from that date. At March 31, 2007 and 2006, the notional principal amounts of interest rate swap agreements designated as cash flow hedges were ¥23,052 million ($195,356 thousand) and ¥25,462 million, respectively.

(4) Derivative Instruments Not Designated as Hedges

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

24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2007 for the purchase of property, plant and equipment approximated ¥9,092 million ($77,051 thousand).

The Company provides guarantees to third parties mainly with respect to bank loans extended to its affiliated companies and other entities. Such guarantees are provided to enhance the credit standing of the affiliated companies and other entities. For each guarantee provided, the Company would have to perform under the guarantee, if the affiliated companies and other entities default on a payment within the guaranteed period of one to six years. The maximum amount of undiscounted payments the Company would have to make in the event of default amounts to ¥9,131 million ($77,381 thousand) at March 31, 2007. The carrying amounts of the liabilities recognized for the Company's obligations under these guarantees at March 31, 2007 and 2006 were deemed insignificant.

In July 2004, Fujitsu Ltd. filed a lawsuit against Secom Insurance in the Tokyo District Court, claiming compensation for costs related to a systems development order in the amount of ¥2,500 million ($21,186 thousand). Secom Insurance is not only contesting this lawsuit on the grounds that it is without merit, but has also filed a countersuit claiming damages in the amount of ¥1,000 million ($8,475 thousand), which is pending at March 31, 2007.

PASCO filed a lawsuit against Sumitomo Mitsui Banking Corporation ("SMBC") for obtaining a confirmation judgment to the effect that it does not owe an obligation in the amount of ¥2,010 million ($17,034 thousand) to SMBC with the Tokyo District Court on October 31, 2005. SMBC alleged that it made a loan to a third party and acquired from the third party its claim against PASCO for an alleged sale of equipment to PASCO as a collateral for the loan, and demanded PASCO to pay such claim to SMBC. However, upon carefully investigating the case with counsel, the Company believes that the alleged transactions were null and void, and the Company's pleading should be admitted. Furthermore, on December 5, 2005, SMBC brought a cross action against PASCO in relation to a demand for payment of a transferred receivable. Subsequently, both actions were consolidated according to a court procedure. The existence of the debt in the above-mentioned sum is still being disputed in court at March 31, 2007.

25. Discontinued Operations

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

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

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

There were no operating results which were reported in discontinued operations for the years ended March 31, 2007 and 2006.

Discontinued operations for the year ended March 31, 2005 were as follows:

	In millions of yen
Net sales and operating revenue	¥ 7,491
Loss from discontinued operations before income taxes, net	(2,378)
Gain on sales of discontinued operations, net	13,637
Income taxes	(931)
Minority interests in subsidiaries	(451)
Income from discontinued operations, net of tax	¥ 9,877

Income from discontinued operations, net of tax, by business segment for the year ended March 31, 2005 were as follows:

	In millions of yen
Security services	¥ 439
Insurance services	2,164
Information and communication related and other services (Leasing services of real estate)	3,983
Information and communication related and other services (Education services)	3,291
Income from discontinued operations, net of tax	¥9,877

26. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Cash paid during the year for:				
Interest	¥ 1,865	¥ 1,873	¥ 2,277	$ 15,805
Income taxes	38,360	28,959	31,530	325,085
Non-cash investing and financing activities:				
Conversion of convertible bonds	—	—	18	—
Additions to obligations under capital leases	5,395	2,253	2,350	45,720

27. Segment Information

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

The Company has six reportable business segments: security services, fire protection services, medical services, insurance services, geographic information services, and information and communication related and other services. From December 2006, the Company newly established a business segment, the fire protection services, due to the acquisition of Nohmi Bosai group.

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

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

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

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

Information by business and geographic segments for the years ended March 31, 2007, 2006 and 2005 is as follows:

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Net sales and operating revenue:				
Security services—				
Customers	¥415,410	¥400,044	¥382,360	$3,520,424
Intersegment	1,491	1,317	1,362	12,636
	416,901	401,361	383,722	3,533,060
Fire protection services—				
Customers	27,448	—	—	232,610
Intersegment	944	—	—	8,000
	28,392	—	—	240,610
Medical services—				
Customers	45,852	39,215	34,688	388,576
Intersegment	233	220	215	1,975
	46,085	39,435	34,903	390,551
Insurance services—				
Customers	31,978	29,537	26,465	271,000
Intersegment	2,702	2,496	2,776	22,898
	34,680	32,033	29,241	293,898
Geographic information services—				
Customers	36,438	35,271	34,915	308,797
Intersegment	138	113	253	1,169
	36,576	35,384	35,168	309,966
Information and communication related and other services—				
Customers	79,552	76,459	73,926	674,169
Intersegment	9,096	6,406	4,821	77,085
	88,648	82,865	78,747	751,254
Total	651,282	591,078	561,781	5,519,339
Eliminations	(14,604)	(10,552)	(9,427)	(123,763)
Total net sales and operating revenue	¥636,678	¥580,526	¥552,354	$5,395,576

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Operating income (loss):				
Security services	¥ 96,162	¥ 86,660	¥ 90,414	$ 814,932
Fire protection services	1,815	—	—	15,381
Medical services	(2,914)	(1,321)	1,641	(24,695)
Insurance services	3,752	5,061	(3,011)	31,797
Geographic information services	394	900	1,236	3,339
Information and communication related and other services	7,335	5,643	(816)	62,161
Total	106,544	96,943	89,464	902,915
Corporate expenses and eliminations	(12,126)	(15,050)	(13,906)	(102,762)
Operating income	¥ 94,418	¥ 81,893	¥ 75,558	$ 800,153
Other income	8,437	15,936	6,566	71,500
Other expenses	(7,519)	(8,101)	(7,851)	(63,720)
Income from continuing operations before income taxes	¥ 95,336	¥ 89,728	¥ 74,273	$ 807,933

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2007	2006	2005	2007
Assets:				
Security services	¥ 467,071	¥ 438,989	¥ 445,576	$ 3,958,229
Fire protection services	77,850	—	—	659,746
Medical services	105,158	102,838	91,574	891,169
Insurance services	196,798	284,911	310,159	1,667,780
Geographic information services	55,124	55,448	53,004	467,153
Information and communication related and other services	178,532	145,757	124,578	1,512,983
Total	1,080,533	1,027,943	1,024,891	9,157,060
Corporate items	121,817	159,210	99,398	1,032,347
Investments in and loans to affiliated companies	38,832	38,075	39,915	329,085
Total assets	¥1,241,182	¥1,225,228	¥1,164,204	$10,518,492

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Depreciation and amortization:				
Security services	¥49,168	¥44,942	¥44,042	$416,678
Fire protection services	326	—	—	2,763
Medical services	3,202	1,629	1,531	27,136
Insurance services	1,206	1,143	1,175	10,220
Geographic information services	1,631	1,494	1,477	13,822
Information and communication related and other services	2,414	2,690	2,816	20,458
Total	57,947	51,898	51,041	491,077
Corporate items	301	441	409	2,550
Total depreciation and amortization	¥58,248	¥52,339	¥51,450	$493,627

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Capital expenditures:				
Security services	¥33,306	¥29,351	¥30,255	$282,254
Fire protection services	364	—	—	3,085
Medical services	5,985	8,474	8,647	50,720
Insurance services	49	1,733	1,380	415
Geographic information services	1,882	436	983	15,949
Information and communication related and other services	6,163	7,448	4,927	52,229
Total	47,749	47,442	46,192	404,652
Corporate items	12	120	1	102
Total capital expenditures	¥47,761	¥47,562	¥46,193	$404,754

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

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

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Electronic security services	¥285,858	¥277,892	¥271,872	$2,422,525
Other security services:				
Static guard services	42,144	41,480	38,302	357,153
Armored car services	20,308	19,369	18,462	172,102
Merchandise and other	67,100	61,303	53,724	568,644
Total security services	¥415,410	¥400,044	¥382,360	$3,520,424

(2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on location of customers and long-lived assets for the years ended March 31, 2007, 2006 and 2005 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
Net sales and operating revenue:				
Japan	¥620,435	¥564,803	¥538,851	$5,257,924
Other	16,243	15,723	13,503	137,652
Total	¥636,678	¥580,526	¥552,354	$5,395,576

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2007	2006	2005	2007
Long-lived assets:				
Japan	¥347,546	¥330,752	¥316,358	$2,945,305
Other	5,023	5,609	6,079	42,568
Total	¥352,569	¥336,361	¥322,437	$2,987,873

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

Independent Auditors’ Report

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

We have audited the accompanying consolidated balance sheets of SECOM CO., LTD. and subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders’ equity and cash flows for each of the years in the three-year period ended March 31, 2007, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SECOM CO., LTD. and subsidiaries as of March 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2007, in conformity with U.S. generally accepted accounting principles.

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

The accompanying consolidated financial statements as of and for the year ended March 31, 2007 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 3 of the notes to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 27, 2007

Other Financial Data

CONTENTS

Summary of Selected Financial Data

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

In millions of yen

	2007	2006	2005	2004	2003	2002
Composition of consolidated net sales and operating revenue by segment						
Net sales and operating revenue	¥636,678	¥580,526	¥552,354	¥517,435	¥497,691	¥475,151
Security services:	415,410	400,044	382,360	367,482	352,985	335,867
As a percentage of net sales and operating revenue	*65.3%*	*68.9%*	*69.2%*	*71.0%*	*70.9%*	*70.7%*
Electronic security services—	285,858	277,892	271,872	263,900	257,075	246,487
As a percentage of net sales and operating revenue	*44.9*	*47.9*	*49.2*	*51.0*	*51.6*	*51.8*
Other security services—						
Static guard services	42,144	41,480	38,302	37,537	35,908	34,107
As a percentage of net sales and operating revenue	*6.6*	*7.1*	*6.9*	*7.2*	*7.2*	*7.2*
Armored car services	20,308	19,369	18,462	18,618	17,261	17,001
As a percentage of net sales and operating revenue	*3.2*	*3.3*	*3.4*	*3.6*	*3.5*	*3.6*
Subtotal	62,452	60,849	56,764	56,155	53,169	51,108
Merchandise and other	67,100	61,303	53,724	47,427	42,741	38,272
As a percentage of net sales and operating revenue	*10.6*	*10.6*	*9.7*	*9.2*	*8.6*	*8.1*
Fire protection services	27,448	—	—	—	—	—
As a percentage of net sales and operating revenue	*4.3*	—	—	—	—	—
Medical services	45,852	39,215	34,688	21,147	19,637	13,300
As a percentage of net sales and operating revenue	*7.2*	*6.7*	*6.3*	*4.1*	*3.9*	*2.8*
Insurance services	31,978	29,537	26,465	23,536	15,234	24,875
As a percentage of net sales and operating revenue	*5.0*	*5.1*	*4.8*	*4.5*	*3.1*	*5.2*
Geographic information services	36,438	35,271	34,915	32,346	39,525	38,106
As a percentage of net sales and operating revenue	*5.7*	*6.1*	*6.3*	*6.3*	*8.0*	*8.0*
Information and communication related and other services	79,552	76,459	73,926	72,924	70,310	63,003
As a percentage of net sales and operating revenue	*12.5*	*13.2*	*13.4*	*14.1*	*14.1*	*13.3*
Net income, cash dividends and shareholders' equity						
Net income	¥ 55,889	¥ 50,331	¥ 52,133	¥ 23,479	¥ 30,275	¥ 34,082
Cash dividends (paid)(2)	13,499	11,251	10,127	9,003	9,330	9,324
Shareholders' equity	551,732	508,696	457,837	415,852	372,518	401,326
Consolidated financial ratios						
Percentage of working capital accounted for by:						
Debt—						
Bank loans	17.4	15.2	16.1	17.7	20.0	10.7
Current portion of long-term debt	1.4	6.4	1.7	2.1	3.3	4.4
Convertible bonds	—	—	—	—	0.0	0.0
Straight bonds	1.9	1.6	6.4	5.2	5.2	5.6
Other long-term debt	3.6	3.6	3.9	9.2	11.4	16.1
Total debt	24.3	26.8	28.1	34.2	39.9	36.8
Shareholders' equity	75.7	73.2	71.9	65.8	60.1	63.2
Total capitalization	100.0	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage)[a]	4.5	4.1	4.5	2.0	2.6	2.9
Return on equity (percentage)[b]	10.1	9.9	11.4	5.6	8.1	8.5
Percentage of net sales and operating revenue absorbed by[c]:						
Depreciation and amortization	9.1	9.0	9.1	10.1	10.3	10.4
Rental expense under operating leases	2.5	2.7	2.6	2.8	3.0	2.7
Ratio of accumulated depreciation to depreciable assets (percentage)	62.3	60.5	60.0	54.8	50.6	48.9
Net property turnover (times)[c]	2.54	2.39	2.43	1.74	1.37	1.23
Before-tax interest coverage (times)[c][d]	53.5	48.8	39.3	15.9	15.2	41.6

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

	2007	2006	2005	2004	2003	2002
Number of shares outstanding						
Issued	233,288,717	233,288,717	233,288,717	233,281,133	233,281,133	233,274,769
Owned by the Company	8,318,900	8,301,997	8,266,043	8,228,652	8,200,245	22,512
Balance	224,969,817	224,986,720	225,022,674	225,052,481	225,080,888	233,252,257
Per share information						
Basic net income per share (in yen) (1)	¥ 248.42	¥ 223.69	¥ 231.66	¥ 104.32	¥ 132.87	¥ 146.19
Cash dividends paid per share (in yen) (2)	60.00	50.00	45.00	40.00	40.00	40.00
Shareholders' equity per share (in yen) (3)	2,452.47	2,261.00	2,034.63	1,847.80	1,655.04	1,720.57
Cash flow per share (in yen) (1) (e)	427.34	396.31	410.29	294.56	321.88	320.17
Price/Book value ratio	2.23	2.66	2.19	2.46	1.84	3.33
Price/Earnings ratio	22.02	26.91	19.25	43.52	22.88	39.20
Price/Cash flow ratio	12.80	15.19	10.87	15.41	9.44	17.90
Stock price at year-end (in yen)	5,470	6,020	4,460	4,540	3,040	5,730

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

(1) Per share amounts are based on the average number of shares outstanding during each period.
(2) Subsequent to March 31, 2007, cash dividends of ¥17,997 million (¥80.00 per share) were approved at the general shareholders' meeting on June 27, 2007 (see Note 18 of the accompanying notes to consolidated financial statements).
(3) Per share amounts are based on the number of shares outstanding at the end of each period, minus treasury stock.

Common Stock Data

SECOM CO., LTD.
As of March 31

SHAREHOLDER INFORMATION	2007	2006	2005	2004	2003	2002
Number of shareholders	**30,683**	19,807	21,327	21,720	20,230	17,609
Common shares held by:						
Financial institutions	**32.21%**	33.04%	34.32%	37.04%	46.14%	45.31%
Securities firms	**3.68**	2.16	1.99	2.19	2.04	1.61
Other corporations	**3.86**	3.92	4.13	4.29	4.60	13.78
Foreign investors	**42.43**	43.40	40.75	37.22	28.64	24.64
Individuals and others	**17.82**	17.48	18.81	19.26	18.58	14.66
Total	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%

PRICE INFORMATION (TOKYO STOCK EXCHANGE)	Price per share (in yen)		Nikkei Stock Average (in yen)	
	High	Low	High	Low
2005 April–June	¥4,830	¥4,060	¥11,874.75	¥10,825.39
July–September	5,900	4,760	13,617.24	11,565.99
October–December	6,470	5,480	16,344.20	13,106.18
2006 January–March	6,280	5,310	17,059.66	15,341.18
April–June	6,460	5,090	17,563.37	14,218.60
July–September	6,010	5,160	16,385.96	14,437.24
October–December	6,310	5,670	17,225.83	15,725.94
2007 January–March	6,360	5,250	18,215.35	16,642.25

COMMON STOCK ISSUES

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

Notes: 1. The above is a record of SECOM's common stock issues since the common stock was listed on the Tokyo Stock Exchange in June 1974.
2. As of March 31, 2007, the number of shares outstanding was 233,289 thousand and share capital was ¥66,377,829 thousand.
*One share was split into two.