

## ANNUAL REPORT 2007

Year ended March 31, 2007

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

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## Profile

Established in 1962, SECOM CO., LTD., is a pioneer in Japan's security services industry. Since its founding date, SECOM has sought to offer innovative products and services that benefit society, in line with its mission, which is to contribute to society through its business activities. These efforts have enabled SECOM to provide security and peace of mind, and achieve steady growth.

Today, SECOM—the parent company and the companies of the SECOM Group—continues to pursue a wide range of initiatives aimed at realizing its vision for the future, namely the Social System Industry—a framework comprising integrated packages of products and services designed to make life more secure, convenient and comfortable. SECOM has maximized the network it has built up through its efforts to provide security systems to offer a wide range of products and services crucial to corporate and residential customers. Now, SECOM is expanding its focus beyond security services to include fire protection services, medical services, insurance services, geographic information services, and information and communication related and other services. SECOM is building on its capabilities in these areas to provide comprehensive packages that encourage customers to turn to SECOM and inspire confidence that doing so will enhance security, convenience and comfort.

SECOM has also expanded into overseas markets, establishing a network of subsidiaries and joint venture operations in 11 countries and territories, where it has earned a solid reputation for providing security services of the same high quality as it offers in Japan. In particular, SECOM is focusing on the high-growth market of the People's Republic of China (PRC), and is establishing a business foundation by setting up operations in key coastal cities as part of a larger effort to expand its presence in the country.

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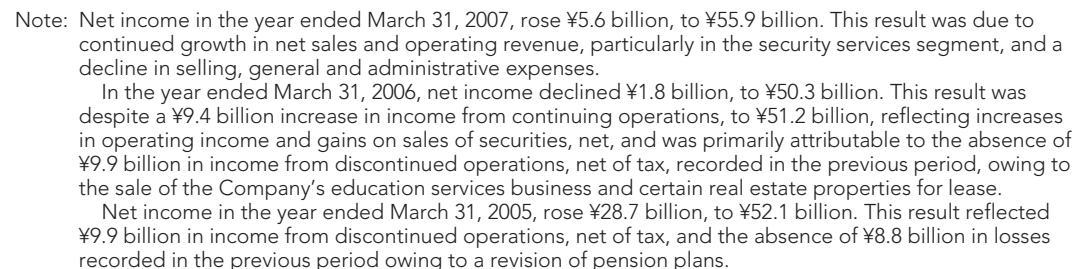
Note: Unless specified otherwise, all figures contained in this annual report are based on the financial statements, which have been calculated and are presented in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

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

			In yen	In U.S. dollars
Per share of common stock:				
Net income (basic) .....	¥ 248.42	¥ 223.69	¥ 231.66	\$ 2.11
Cash dividends .....	60.00	50.00	45.00	0.51
Shareholders' equity .....	2,452.47	2,261.00	2,034.63	20.78

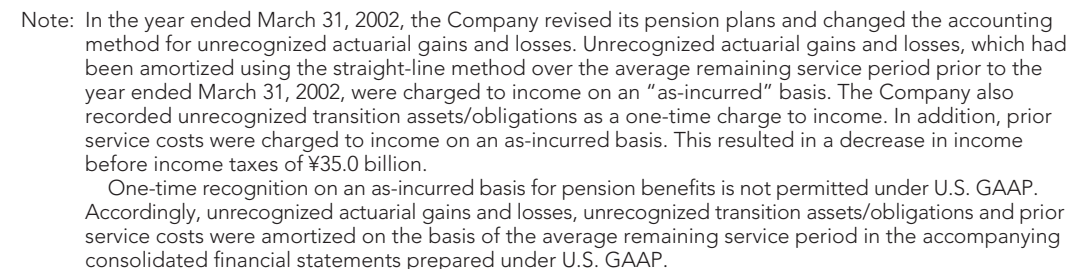
**Net Income (U.S. GAAP)**  
(In billions of yen)



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

			In yen	In U.S. dollars
Per share of common stock:				
Net income (basic).....	¥ 259.14	¥ 234.28	¥ 214.41	\$ 2.20
Cash dividends .....	60.00	50.00	45.00	0.51
Shareholders' equity .....	—	2,204.06	1,962.74	—
Net assets.....	2,400.91	—	—	20.35

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





## Our Philosophy

Formulated in accordance with its mission of contributing to society through its business activities, SECOM's corporate philosophy acts as a guideline for employees and has enabled them to channel their abilities and efforts in the same direction, resulting in steady growth and development.

The key components of SECOM's corporate philosophy are its emphasis on striving to do what is appropriate and challenging accepted norms. Striving to do what is appropriate does not mean striving to do what is good for SECOM; rather, it means judging the legitimacy of our actions based on whether they are beneficial for society. Challenging accepted norms means not being content with the status quo, but instead maintaining the drive and the conviction to move forward by constantly seeking better and more suitable solutions.

In the future, this philosophy will continue to guide our efforts to increase corporate value through our business activities. By offering products and services that make life more secure, convenient and comfortable, we will continue aspiring to grow and evolve.



Makoto Iida  
Founder

### Consolidated Operating Results

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

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

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

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

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

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

### Maximizing Comprehensive Capabilities to Respond to Customer Needs

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



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

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

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

### Toward Further Growth

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

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

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



Shohei Kimura  
Chairman



Kanemasa Haraguchi  
President and  
Representative Director

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

### Reinforcing Our Corporate Philosophy Groupwide

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

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

June 27, 2007



**Makoto Iida**  
Founder



**Shohei Kimura**  
Chairman



**Kanemasa Haraguchi**  
President and Representative Director

6 Commercial Security Services



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17 Fire Protection Services



18 Medical Services



19 Insurance Services



20 Geographic Information Services

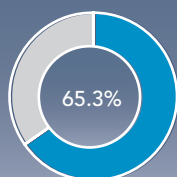


21 Information and Communication Related and Other Services

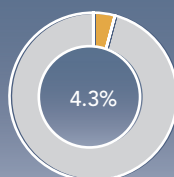


Percentage of consolidated net sales and operating revenue\*1

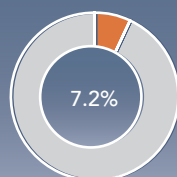
Security Services



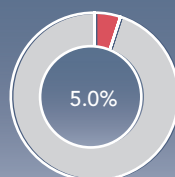
Fire Protection Services\*2



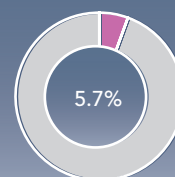
Medical Services



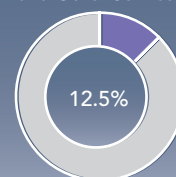
Insurance Services



Geographic Information Services



Information and Communication Related and Other Services



\*1. Excluding intersegment transactions

\*2. In December 2006, SECOM established a new business segment, fire protection services, owing to the acquisition of Nohmi Bosai.



# Solutions for Businesses

Tokyo Midtown, which had its grand opening in March 2007, is an exciting new development in Tokyo's trendy Roppongi district. Tokyo Midtown consists of six buildings, including the Midtown Tower, the central structure, which has five floors below ground and 54 above. Developed in line with the concept of "enriching urban lifestyles," this multipurpose complex features selected leading global fashion and interior decor shops, restaurants and other retailers, as well as an art museum, a hotel, offices, condominiums, a medical center and a park.

SECOM provides static guard services for Tokyo Midtown. The complex also uses the SECOM AED Package Service.

Photo courtesy of Tokyo Midtown Management Co., Ltd.



Drawing on its years of accumulated expertise and the trust of its subscribers, SECOM strives to offer new products and services that respond to the needs of customers and capitalize on its security services and operating strengths.

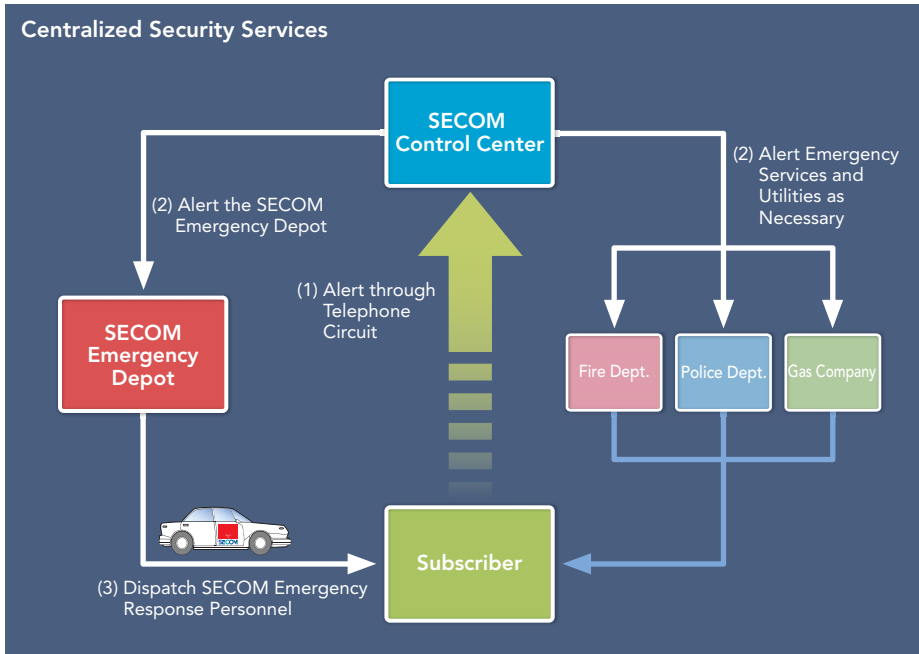
### Responding to the Sophisticated Security Needs of Large Complexes

The recent wave of urban redevelopment and the trend toward large complexes are no longer limited to Tokyo, but have spread to other major urban areas, notably Osaka and Nagoya. The effective management of such complexes demands sophisticated, diversified security systems that protect people and property from crime and other dangers. In response to the needs of these large urban complexes, we drew on our extensive, accumulated experience and know-how and in November 2006 launched a new version of the TOTAX ZETA large-scale proprietary security system with improved functions and a lower price targeted at the general market.

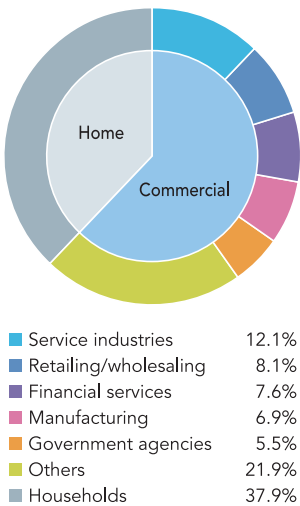
The most important feature of SECOM’s sophisticated large-scale proprietary security systems is that they combine the most advanced security systems and manned services by trained professional guards in a single sophisticated

package. Another feature is that basic packages can be adapted to individual customer needs through the addition of various products and services. These are not limited to offerings that enhance security, but also include such options as the SECOM AED Package Service. This service provides emergency lifesaving kits featuring automated external defibrillators (AEDs)—electronic devices used to reestablish a normal heart rhythm following cardiac arrhythmia—to private- and public-sector office buildings, airports, commercial facilities, hotels and other large complexes. There have been numerous reports of AEDs having contributed to the saving of lives—SECOM’s commitment thus extends beyond ensuring the security of such facilities to include the safety of people who use them.

We have also used our advanced technologies and expertise to develop SECOM Robot X, an outdoor surveillance robot equipped with cameras that give it a 360° view. This machine



Commercial and Home Security Service Subscribers by Subscriber Category  
(At March 31, 2007)



## Commercial Security Services

is particularly effective when utilized in large sites with multiple blind spots that make surveillance using conventional stationary cameras difficult.

Going forward, we will continue to capitalize on our exclusive expertise and comprehensive Group capabilities to respond to the increasingly diverse needs of customers in the market for large complexes.

### Expanding Applications for On-line Security Systems

We offer a wide range of on-line security systems suited to a variety of structure sizes, applications and security needs. These include SECOM AX, a system that utilizes image recognition technology, enabling us to respond swiftly to any irregularity in the most appropriate manner. Prompted by recent crimes targeting offices and stores early in the morning and late at night when few people are present, we have augmented existing on-line systems with a new feature whereby we monitor windows and doors using sensors even when employees are present, thereby helping to prevent unlawful access and ensure employee safety.

SECOM IX was developed to prevent the rising incidence of robberies at retail facilities open round-the-clock. This system enables store employees to request assistance from a SECOM image monitoring center should they see anyone acting suspiciously or feel threatened by someone on the premises late at night. Employees need only push an emergency/request button to automatically transmit an image and voice in real-time for assessment by image monitoring center staff, who will, if necessary, broadcast a

voice warning on the premises or dispatch emergency response personnel. Although initially developed for use in occupied facilities, SECOM IX is also finding favor in apartment building entry halls. We have also sought to broaden applications for SECOM IX. Recently, we commenced sales of HANKS IX—a system designed to provide enhanced security for financial institutions during operating hours—that combines SECOM IX with the HANKS SYSTEM, an on-line security system for financial institutions.

### Growing Demand for the Protection of Important Information

The enforcement of Japan's Personal Information Protection Law in 2005 has required the stringent management of personal information. Despite increased awareness of this problem, incidents involving personal information leaks have continued to occur. Consequently, an increasing number of companies are seeking security services around-the-clock—that is, during business hours when employees are present, as well as at night and other times when premises are empty. We have responded to these needs by developing SESAMO TRII, a comprehensive access-control system that can be administered from a single personal computer. This system can also be integrated with our various identification systems, including SECURILOCK II, an access-control system compatible with various contactless integrated circuit (IC) cards, and SESAMO IDj, which identifies individuals by the veins in their palms. Information collected can be tabulated according to area under management, time or



SECOM Robot X



SECOM Emergency response personnel



SESAMO IDj, an access-control system that identifies individuals by the veins in their hands



individual and can thus be used for a variety of administrative purposes. The function that monitors employee working hours is also used to manage employee health.

Moving ahead, we will continue taking steps to respond to the evolving needs of customers in the area of information security by offering effective on-line security, access-control and surveillance camera systems.

### Launching the "Setagaya Security Patrol"

Following the opening of public services contracts to private-sector firms, in April 2007 we were contracted by Tokyo's Setagaya Ward to assist official efforts to reduce the incidence of crime in the area. In response, we introduced the Setagaya Security Patrol, which conducts round-the-clock street and park patrols using cars bearing the SECOM logo, thus acting as a public service for the 800,000 residents of Setagaya. This area is home to a high number of subscribers to SECOM Home Security and other SECOM security systems. The Setagaya Security Patrol is meaningful not only because it provides residents with security and peace of mind, but also because it enhances residents' awareness that SECOM is accessible and

convenient. This new approach, of a private-sector company providing services aimed at reducing crime throughout an entire district, has added a new dimension to the SECOM service lineup.

### Mine Rehabilitation Program Center: Japan's first PFI Correctional Facility

In line with our mission to contribute to society through our business activities, we continue to venture into challenging new areas. One example is the Mine Rehabilitation Program Center, a private finance initiative (PFI) correctional facility in the city of Mine, Yamaguchi Prefecture, which opened in April 2007. A SECOM-led consortium secured an 18-year contract to construct, maintain and operate the facility in cooperation with the Ministry of Justice, in general bidding. For this purpose, the consortium established a special firm, Social Rehabilitation Support Mine Co., Ltd., of which SECOM is the principal shareholder. The Mine center has many unique features, including its name, which identifies it as a "facility for rehabilitation," rather than a "prison."

Another unique feature of the Mine center is that it capitalizes on private-sector expertise through joint operation by private-sector



SECOM Control Center

## Commercial Security Services

Mine Rehabilitation Program Center, Yamaguchi Prefecture



Front entrance to the Mine Rehabilitation Program Center (above); cell block patrol by SECOM static security guards



participants and the government. Shifting the bulk of responsibility for facility operations to the private sector enables corrections officers to focus on their primary responsibility of providing correctional education. We will endeavor to support the efforts of corrections officers by using advanced security systems to ensure the capable, efficient management of security.

The facility is also unique in its emphasis on rehabilitation programs for convicted offenders. In addition to offering vocational training, including education in the area of information technology (IT), the facility has attempted to create a living environment for inmates that is similar to ordinary society by modifying inmate uniforms and living quarters. Cells are built on a semi-open plan and inmates are able to move freely about the corridors, multipurpose hall and other common areas of the cell block except during certain hours. With the aim of fostering self-discipline, inmates are allowed to walk within the facility unaccompanied. To help inmates maintain relations with their families, a

process deemed essential to rehabilitation, visits take place in rooms without barriers.

Another SECOM-led consortium has recently secured a contract to maintain and operate two PFI correctional facilities located in the city of Sakura, Tochigi Prefecture: Kitsuregawa Rehabilitation Program Center and the adjacent Kurobane Prison. We will assume responsibility for the maintenance and operation of both facilities from October 2007. These projects will enable us to secure expertise in correctional facility management, as well as to contribute to a society that is secure and free from apprehension by promoting and assisting the prompt rehabilitation of inmates.



CCTV system installed in the center



Round-the-clock monitoring from the central security office



IT training session for inmates

## SECOM Employee Training

We place our highest priority on earning the trust of our customers, and we recognize that this necessitates excellent, high-quality service and an effective grasp of our customers' perspectives. We have established four SECOM HD Center training facilities in Japan. These facilities offer training programs based on a human resources development curriculum created in-house to cultivate capable, skilled employees. In addition to imparting the expertise and technological skills essential for security services professionals, the program focuses on educating employees on the importance of acting in accordance with the SECOM Group Code of Employee Conduct and striving to do what is appropriate to ensure a high level of corporate ethics.

By ensuring all SECOM employees approach their work with a commitment to ethical practices, we are confident in our ability to deliver outstanding services and contribute to society. The solid reputation of the SECOM brand is a reflection of our thorough and consistent employee training.



Training in security equipment operation

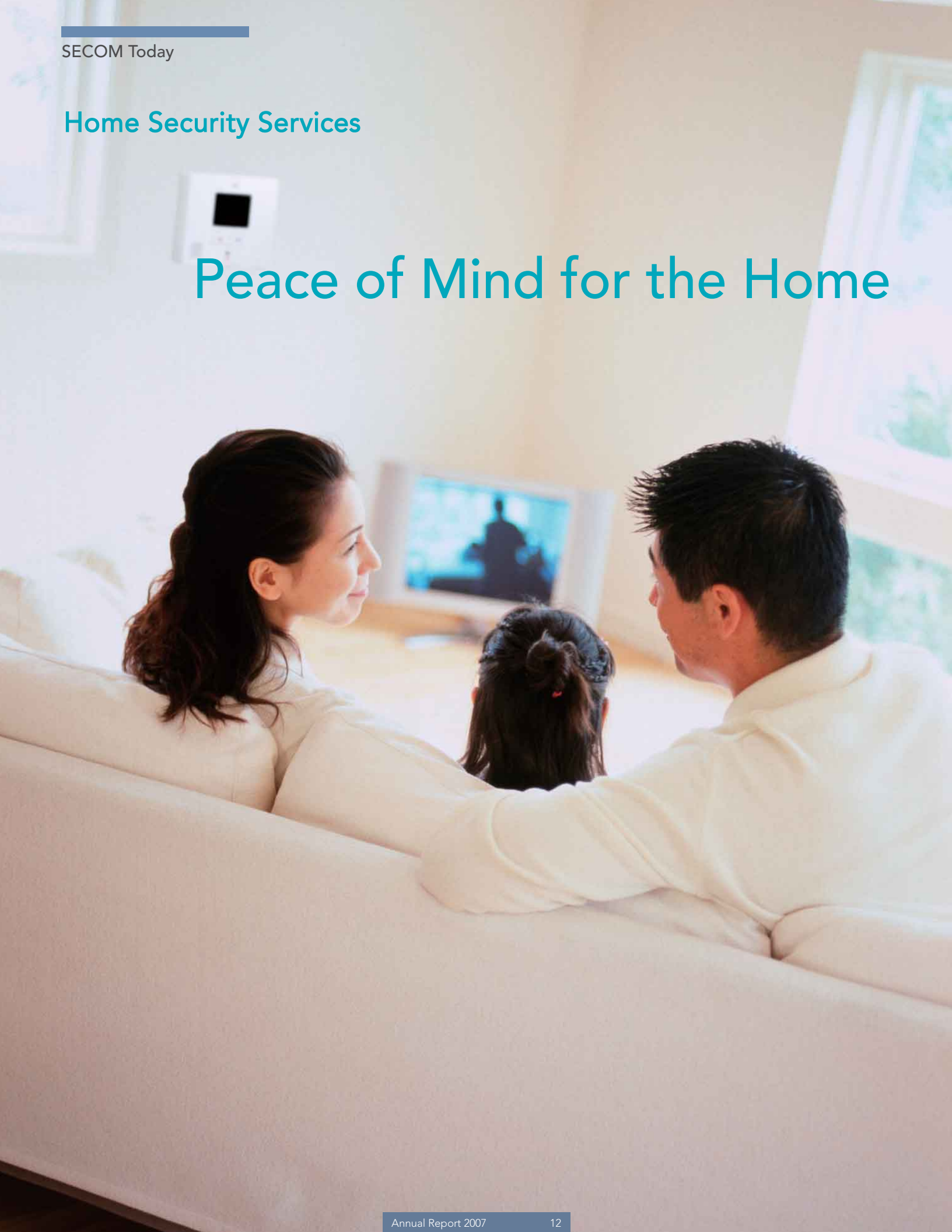


Studying SECOM's corporate philosophy



## Home Security Services

# Peace of Mind for the Home



Japan's leading home security system, SECOM Home Security, encompasses high-quality security and a wide range of value-added services. SECOM offers tailored proposals incorporating a variety of products and services, thereby helping to bring security and peace of mind not only to homes, but also to towns and neighborhoods.

#### SECOM Home Security: Responding to diverse home security needs and expanding subscriptions

A pioneer in the provision of home security services in Japan, SECOM has ensured the security of its subscribers' residences since launching SECOM Home Security in 1981 and continues to lead the market. SECOM Home Security is an on-line security system valued by customers for offering round-the-clock monitoring of homes for intruders, emergency reports, fires, gas leaks and medical emergencies.

Our SECOM Home Security customer base has expanded over recent years, and today ranges from single people living on their own to people with families and seniors. At the same time, we have introduced a wide range of additional services designed to add value. These include SECOM Medical Club, a membership-based health management service that gives SECOM Home Security subscribers access to telephone health counseling and Internet-based health management services around-the-clock, thereby helping to relieve health concerns.

We also offer SECOM Home Service, a suite of lifestyle support services through which we assist customers with problems arising in daily life, including plumbing issues and lost keys, and patrol the area around their homes. Owing to the favorable reputation this service has

earned from subscribers, we are expanding our marketing focus to encompass other large cities throughout Japan, ensuring customers are satisfied they turned to SECOM.

The rising incidence of residential break-ins occurring when the occupants are at home has clearly increased the danger of physical harm. We have enhanced the capabilities of SECOM Home Security to ensure the security of home both when the occupants are in and when they are out. We also market an extensive selection of products designed to enhance security. These include SECOM *Anshin* Glass, a high-impact, breakage-resistant glass window with a built-in sensor, and SECOM *Anshin* Film, a window glass film that improves breakage-resistance. We also offer an extensive selection of products that incorporate image recognition technology, including SECURIFACE, an intercom system featuring a built-in face detection function that recognizes when the person at the door is hiding his or her face, and the Sensor Light Camera, a camera that detects when a person approaches the house at night and automatically turns on a light and takes a photograph.

With home security increasingly being seen as a standard feature in many homes, we continue to reinforce our competitive advantage in the growing home security market by providing value-added services. We are also



SECOM Home Security



SECOM Home Service



SECOM Shop outlet

## Home Security Services

expanding our network of SECOM Shop sales outlets throughout Japan, focusing primarily on large cities.

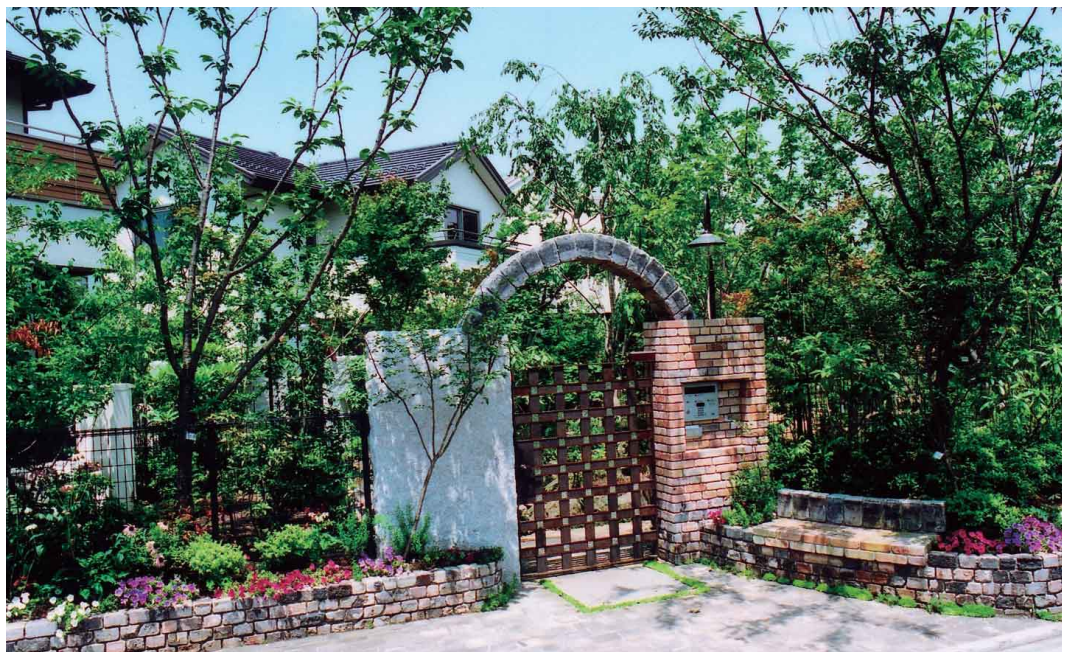
### Responding to Rising Needs for Town Security

In response to the increasingly brutal nature of crimes, we are promoting the concept of “town security,” that is, security systems designed to protect entire communities. Town security systems involve creating high-grade, tailored packages that combine on-line security systems in all houses in a community with a variety of security products. As an example, a person entering a community with a SECOM Town Security system must first contact the house he or she is visiting using a SECOM MS-3 system intercom so that the occupants can open the remote-controlled gate. At the entrance to the house, the visitor uses the SECURIFACE residential intercom system to gain entrance. In contrast, occupants open the gate with their own SECURILOCK II contactless IC cards and enter their own homes using SESAMO Home IDs,

an access-control system employing fingerprint identification installed at the entrance. Houses in such communities have SECOM Home Security systems installed, SECOM *Anshin* Glass high-impact, breakage-resistant window glass in all first-floor windows—each of which has a built-in sensor—and Sensor Light Cameras installed outside, which records images of visitors when occupants are out.

In the future, we will continue to develop systems that combine our comprehensive selection of products and services to contribute to communities that are secure and free from apprehension.

Main gate of a community with a SECOM Town Security system





## Other Security Services

In response to rising needs for mobile security, SECOM is expanding applications for COCO-SECOM systems, as well as broadening the system's capabilities by combining it with other SECOM services.

### Rising Demand for COCO-SECOM

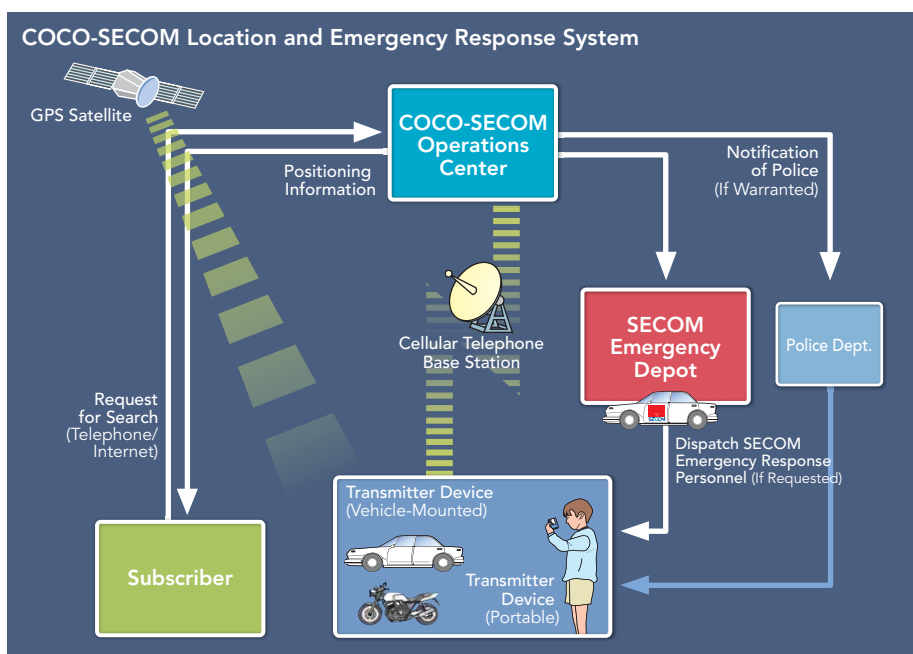
We launched COCO-SECOM mobile security systems in 2001 with the aim of cultivating new demand. Since then, COCO-SECOM has played a key role in the prompt and safe resolution of several incidents—including the recovery of stolen vehicles and the rescue of elderly individuals who had wandered away and become lost—and the effective prevention of other incidents. COCO-SECOM uses signals from Global Positioning System (GPS) satellites and cellular telephone base stations to pinpoint locations with an accuracy of within five to 10 meters under optimum circumstances. Another key feature of COCO-SECOM is that it will dispatch emergency response personnel around-the-clock if a subscriber requests assistance. Today, COCO-SECOM services are available for locating people, vehicles, objects and pets.

In March 2007, we began offering the COCO-SECOM School Commute Management System. This system can confirm the whereabouts

of a student on the way to or from school, as well as ascertain when the student arrives at or departs from school and whether he or she is at school. The system uses IC tag readers positioned at a school's gates that pick up signals from IC tags in COCO-SECOM transmitter devices and transmits information when the child has arrived at or left school via e-mail to, for example, a cellular phone. During the child's school commute, COCO-SECOM provides real-time information on the child's whereabouts. If a child senses danger, he or she can alert SECOM simply by pressing an emergency button on the COCO-SECOM transmitter device and, if necessary, request the dispatch of emergency response personnel. Placement of IC tag readers at close intervals throughout schools also enables the schools to precisely monitor where students are at any given time. With the aim of protecting children from crimes, we will continue actively promoting this system to schools, cram schools and other educational facilities throughout Japan.



COCO-SECOM Operations Center



COCO-SECOM



COCO-SECOM School Commute Management System, which combines IC tags and COCO-SECOM transmitters

## Security Services in Overseas Markets

SECOM's expanding overseas presence enables it to provide the same high-grade security services as it does in Japan to customers in overseas markets. In particular, SECOM is working to enhance growth in Asia, where security systems are coming into increasingly wide use.

### Expanding Overseas Operations by Entering the Vietnamese Market

In June 2006, we established a joint venture with a local firm and began offering security consulting services in Vietnam. With this addition, our overseas operations currently encompass businesses in Taiwan, the Republic of Korea (ROK), the United States, the United Kingdom, Thailand, Malaysia, Singapore, Australia, the PRC, Indonesia and Vietnam. Our decision to begin offering services in Vietnam reflected the growth potential of this market as increasing number of Japanese and other foreign companies establish operations there. At present, the Vietnamese security market centers on static guard services. Our plan is to expand our business in Vietnam by focusing primarily on on-line security systems.

### Security Systems Begin to Find Wide Acceptance in the PRC

Our operations in the PRC began in 1992 with the establishment of holding company SECOM (China) Co., Ltd. Since then, we have set up security services companies in key cities in the country's high-growth coastal areas—namely Dalian, Shanghai, Beijing, Qingdao and Shenzhen. Through these companies, we offer security services on a par with those we provide in Japan, encompassing not only remote surveillance, but also emergency response services, an approach that continues to attract an increasing number of subscribers. With the aim of expanding the aforementioned five companies' operations, we are currently setting up branches and offices in surrounding cities to expand the companies' business. Going forward, we plan to expand the service area covered by the companies to approximately 20 cities, from the current 13, with a view to taking our next step in the PRC, which will be to set up operations in key inland cities.

These and other efforts will position us to capitalize on the increasingly wide acceptance of security systems in the PRC by offering distinctive SECOM products and services. By doing so, we aim to further grow our business in this key market.



Beijing Jingdun Secom Electronic Security Co., Ltd.



Secom Plc Control Center, UK

## Fire Protection Services

**SECOM and Nohmi Bosai are integrating their extensive management resources and expertise to provide effective fire protection services. Sales of residential fire alarm systems continue to increase.**



Fire extinguishing system installed to protect a cultural property

### New Law Drives Up Demand for Residential Fire Alarm Systems

A recent change in Japan's Fire Protection Law made the installation of fire alarm systems in new homes mandatory nationwide on June 1, 2006. In the future, existing homes will also be required to have fire alarm systems installed that comply with rules set by local authorities. In response, SECOM commenced sales of the New Home Fire Sensor, a fire alarm system for residential applications. This system is manufactured by Nohmi Bosai, the leading company in this industry, which became a consolidated subsidiary of SECOM in December 2006.

Developed for use in detached houses and apartment buildings, the New Home Fire Sensor detects smoke and heat when fire starts and alerts occupants by sounding an alarm and flashing a light. The unit is battery-powered, meaning its performance is unaffected by power failures, and freestanding, which eliminates time-consuming wiring and facilitates easy installation. Moreover, a battery life of 10 years, a 10-year warranty effective from the date of

receipt and round-the-clock SECOM support in the event of a breakdown ensure prompt and effective after-sales service. Owing to such features, the New Home Fire Sensor has attracted praise from developers and others in the housing construction industry, and we plan to continue expanding sales.

To date, Nohmi Bosai has contributed to the creation of a more secure society through the provision of automatic fire alarm, fire extinguishing and other fire protection systems. The company provides systems for office buildings, plants, tunnels, cultural properties, ships, residences and other facilities. In the future, we will endeavor to respond to diverse and sophisticated fire protection needs and to cultivate new markets by developing innovative products that integrate our security technologies with Nohmi's fire protection technologies.



Nohmi Bosai's Menuuma Factory



Foam fire extinguishing system



## Medical Services

**SECOM's medical services contribute to security and peace of mind by helping to relieve health concerns. By expanding its medical services businesses, which include home medical services and the management of nursing homes, SECOM will continue to chart further growth.**

### Raising the Standard of Home Nursing Services

Our medical services business reflects our conviction that protecting the health of customers is crucial to security and peace of mind. We launched our medical services business in 1991, beginning with the provision of Japan's first home nursing services, whereby nurses regularly visit patients in their homes and provide nursing services, including observing patients' conditions and providing treatment in line with the instructions of each patient's physician.

We have expanded our network of SECOM visiting nurse stations, which dispatch nurses to patients' homes and are on call around-the-clock, to 42. These nurses are highly skilled and experienced. We have also built a new training center for visiting nurses, with the aim of further raising the standard of our services. Going forward, we will continue striving to provide home nursing services that not only earn the trust of customers, but also surpass their expectations.

### Managing Specialized Nursing Homes

In October 2006, we opened Comfort Garden Azamino, the first facility in our SECOMFORT series of nursing homes, in Yokohama. Comfort Garden Azamino brings together our expertise in such areas as security, medical care and personal care. We have earned a solid reputation in this field as an operator of nursing homes that also provide personal care services, including Sacrava Seijo, Royal Life Tama, as well as the Alive Care Home series. Comfort Garden Azamino draws on our specialized knowledge in the management of nursing homes with consideration for the advancing needs of senior citizens in the years ahead.

Based on the concept of "comfortable aging," Comfort Garden Azamino is designed to provide peace of mind by enabling residents

to remain in the same place for the remainder of their lives with on-site health care and a wide range of attentive care services provided by expert staff. The second SECOMFORT nursing home, Comfort Hills Rokko, is scheduled to open in April 2009 in Kobe.



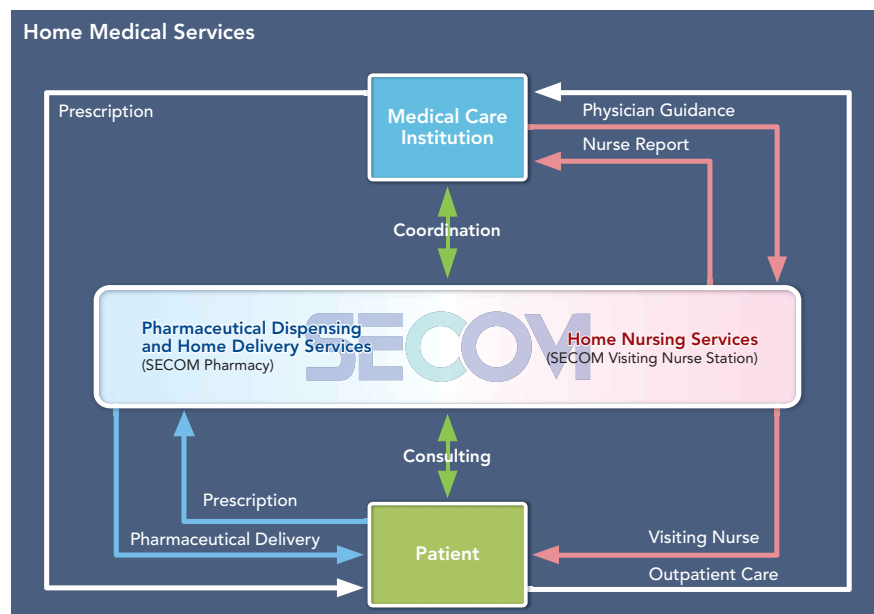
Visiting nurse training



Comfort Garden Azamino



Room in Comfort Garden Azamino



## Insurance Services

**SECOM's non-life insurance policies ensure peace of mind in the event of misfortune. SECOM continues to develop original insurance offerings and expand insurance services sales.**



New SECOM *Anshin My Car* on-site emergency services

### Distinctive Non-Life Insurance Policies

SECOM's move into the non-life insurance business reflects a conviction that combining security services, which provide prior protection, and insurance, which looks after customers in the event of misfortune, reinforces security and peace of mind. Accordingly, our non-life insurance subsidiary offers a variety of distinctive policies

One of these is SECOM *Anshin My Home*, a popular policy designed for households that takes into account the reduced risk of fire and robbery in homes that have installed home security systems and consequently offers a discount on premiums of up to 60%. The same concept underlies the Security Discount Fire Policy, which offers a discount on premiums of up to 30% to commercial customers that have installed security systems, recognizing this as a risk-mitigating factor. New SECOM *Anshin My Car* is a comprehensive automobile insurance policy that offers round-the-clock support services from SECOM emergency response personnel in the event of an accident.

We also offer MEDCOM, an unrestricted cancer treatment policy that covers the cost of all treatments, including the cost of treatments not covered by Japan's national health insurance scheme, which is normally borne by the patients. This enables subscribers to take advantage of advanced treatment options without worrying about the frequently prohibitive costs. MEDCOM also offers access to MEDCOM Nurse Call, a service whereby staff with nursing qualifications provides consultation and introduces medical institutions. This enables subscribers to obtain second opinions from experts aside from their own attending physician. In August 2006, we introduced MEDCOM One, a policy that is also available to women who have previously had breast cancer. Many standard cancer insurance policies do not cover individuals who have previously had cancer. MEDCOM One is an unrestricted policy that is available to women who have had breast cancer if they meet all of the policy's other requirements.

Going forward, we will continue to work to expand sales in the insurance services business by developing attractive new insurance offerings.



Non-life insurance call center



MEDCOM nurse call center

## Geographic Information Services

**Pasco is expanding its GIS, surveying and measuring services and operations with the aim of becoming the world's leading name in geospatial information. The successful launch of a new commercial satellite has also made it possible for Pasco to offer satellite information-based geographic information services.**

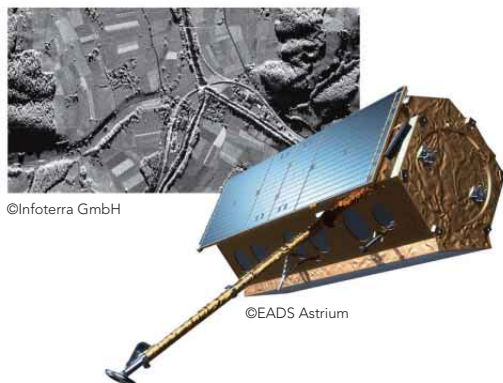
### Pasco Introduces New Geographic Information Services

On June 15, 2007, a new German commercial satellite boasting the highest resolution of any existing commercial satellite was successfully launched into orbit. This satellite uses microwaves to capture images of the earth's surface, meaning it can not only capture images regardless of the weather or the time of day, but also achieve a maximum one meter-class resolution in doing so. With this satellite, it is possible to obtain 1:25,000-scale geographical data for all of Japan in only one and a half months—something that would take 10 years with an aircraft and 4.5 years with a conventional optical satellite. We expect this capability to facilitate the prompt updating of map data and the swift provision of information on topographic changes resulting from earthquakes, tsunamis, typhoons, volcanic eruptions and other natural disasters.

Pasco has obtained exclusive rights in Japan and nonexclusive rights worldwide to sell image data offered by the satellite's operator, enabling the company to begin offering satellite-based geographic information services. In the years ahead, Pasco will focus its efforts on integrating its accumulated surveying and measuring technologies, GIS capabilities and newly acquired access to high-resolution satellite image data to develop new geographic information services.

### A Broad Range of Geospatial Information Services

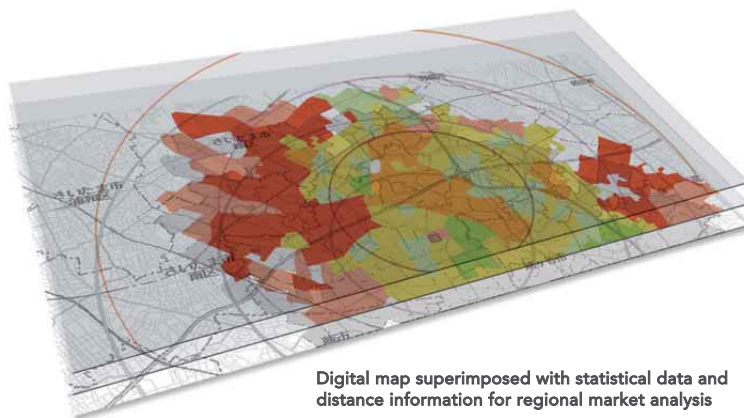
Pasco offers a wide range of geospatial information services, including the creation of three-dimensional maps for automobile navigation systems that incorporate a wide range of information, including the number of national motorways and the number of lanes on the motorways, as well as the location of filling stations. For the public sector, Pasco provides consulting services designed to support urban planning and road engineering. For the private sector, Pasco provides marketing support services, designed to help companies formulate branch opening plans; logistics support services, which aid efforts to develop appropriate plans for the use of trucks and other forms of transport; and disaster response services, which include a service that assesses the risk of building collapse and a service that helps determine the safest routes between employees' homes and workplaces in the event of a disaster. Pasco will continue to expand its lineup of geospatial information services with the aim of establishing itself as a global leader in this field.



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Terra SAR-X commercial satellite and simulated image



Digital map superimposed with statistical data and distance information for regional market analysis



# Information and Communication Related and Other Services

**SECOM endeavors to provide security and peace of mind with a wide range of information and communication related services for today's networked society. SECOM's other services include the development and sales of condominiums developed in line with a concept that emphasizes peace of mind and quality lifestyles.**

## Providing Disaster Response Support Services that Assist Corporate Risk Management Efforts

We provide a variety of services designed to assist industrial and commercial subscribers to reopen for business as soon as possible after a major disaster. These include the SECOM Safety Confirmation Service, which helps companies confirm the safety of employees and their families, as well as to collect and share prompt and accurate information on, for example, damage to buildings, in the event of a natural disaster, such as an earthquake or a typhoon, or a man-made disaster, such as a terrorist attack, thereby assisting them to swiftly resume operations. We also offer the SECOM Disaster Response Support Service, which is designed to assist companies in developing effective initial response strategies, thereby preparing them to act swiftly in the aftermath of disasters. The SECOM Electronic Data Storage Service enables companies to back up and store important data in a safe location provided by SECOM. The swift resumption of operations after a disaster and the formulation of a BCP to make this possible are crucial aspects of risk management for companies today. We are currently taking steps to improve our disaster response support services and enhance our ability to assist customers in the formulation of effective BCPs.



SECOM Safety Confirmation Service

## Support for Sophisticated Cyber Security: The Secure Data Center

The Secure Data Center provides a highly secure environment for our subscribers' servers that combines physical and cyber security. Physical security services include round-the-clock static guards, access-control systems and surveillance camera systems, while cyber security services focus on the protection of subscribers' valuable electronic data against Internet-based intrusion and computer viruses, and the provision of digital authentication services. Secure Data Center subscriptions continue to rise, underscoring the praise it has attracted from prominent financial institutions and other subscribers. Going forward, we will continue to advance our cyber security offerings.



Secure Data Center

## Condominiums with Contingency Planning Features

In line with the concept of emphasizing peace of mind and quality lifestyles, we have developed the Glorio series of condominiums, which offer advanced security and benefit from our comprehensive capabilities. All units are equipped with our on-line security systems as a standard feature. The Glorio series also offers Glorio Support 24 condominium management services that enable residents to call a round-the-clock customer center for assistance with dwelling-related problems, as well as questions related to non-life insurance and medical and personal care. We also sell condominiums with contingency planning features, including earthquake-proof structural designs, as well as a variety of emergency back-up features—including hot water tanks that can be used to supply emergency drinking water and emergency toilets that use manholes—that help protect occupants in the event of a major disaster. We will continue to maximize our comprehensive capabilities in security and fire protection, among others, to develop condominiums that earn the satisfaction of our customers.



Glorio Tower Sugamo (Tokyo)

## Operating Results

### Overview

In the year ended March 31, 2007, the parent company and its consolidated subsidiaries (collectively "the Company") took a variety of steps aimed at reinforcing mainstay security services—including offering new products and services, as well as establishing new offices and relocating existing offices—and promoting the expansion of fire protection services, medical services, insurance services, geographic information services, information and communication related services, real estate development and sales, and real estate leasing. Favorable increases in all segments, notably security services, and the inclusion of a new business, fire protection services, in the Company's consolidated results during the period under review, supported an increase in net sales and operating revenue of 9.7%, or ¥56.2 billion, from the previous period, to ¥636.7 billion. Higher net sales and operating revenue, together with a decline in selling, general and administrative expenses and the absence of a settlement loss of benefit obligation on transfer to defined contribution pension plan recorded in the previous period, pushed operating income up 15.3%, or ¥12.5 billion, to ¥94.4 billion. Net income advanced 11.0%, or ¥5.6 billion, to ¥55.9 billion.

In December 2006, SECOM acquired shares newly offered by Nohmi Bosai, until then an affiliated company accounted for under the equity method, which provides automatic fire alarm, fire extinguishing and other fire protection systems. As a consequence, Nohmi Bosai became a consolidated subsidiary, and the results of Nohmi Bosai and its subsidiaries were included in a newly established segment, fire protection services. (For more details, please see Notes 5 and 27 of the accompanying Notes to Consolidated Financial Statements.)

### Net Sales and Operating Revenue

Net sales and operating revenue amounted to ¥636.7 billion, an increase of 9.7%, or ¥56.2 billion. This result reflected increases in net sales and operating revenue in all segments and the inclusion of the new fire protection services business. (For more details, please see Segment Information below.)

### Costs and Expenses

Total costs and expenses rose 8.7%, or ¥43.6 billion, to ¥542.3 billion. Cost of sales increased 12.4%, or ¥45.3 billion, to ¥410.3 billion, equivalent to 64.4% of net sales and operating revenue, up from 62.9% in the previous period. The increase in the cost-of-sales ratio was due primarily to the inclusion of the new fire protection services business, and the consolidation at the previous fiscal year-end of three variable interest entities engaged in the management of hospitals and health care-related institutions.

Selling, general and administrative expenses decreased 0.8%, or ¥1.0 billion, to ¥127.1 billion, equivalent to 20.0% of net sales and operating revenue, down from 22.1% in the previous period. This decline was mainly the result of a decrease in the provision for the allowance for doubtful accounts.

Impairment loss on long-lived assets rose ¥355 million, to ¥1.2 billion, and impairment loss on goodwill increased ¥2.8 billion, to ¥3.0 billion, while losses on sales and disposal of property, plant and equipment, net, declined ¥1.4 billion, to ¥781 million. In the previous period, the transfer of a portion of the cash balance pension plan maintained by the parent company and certain domestic subsidiaries to a defined contribution pension plan resulted in recognition of a portion of an unrecognized actuarial loss, which was included as a settlement loss of benefit obligation on transfer to defined contribution pension plan of ¥2.5 billion.

### Operating Income

Operating income rose 15.3%, or ¥12.5 billion, to ¥94.4 billion, and represented 14.8% of net sales and operating revenue, up from 14.1% in the previous period. This reflected such factors as an increase in net sales and operating revenue, declines in selling, general and administrative expenses and losses on sales and disposal of property, plant and equipment, net, and the absence of the settlement loss of benefit obligation on transfer to defined contribution pension plan recorded in the previous period. The impact of these factors was partially offset by an increase in cost of sales and an increase in impairment loss on goodwill. The security services segment, the information and communication related and other services segment and the newly established fire protection services segment, contributed to the increase in operating income. (For more details, please see Segment Information below.)

### Other Income and Expenses

Other income declined ¥7.5 billion, to ¥8.4 billion, and other expenses decreased ¥582 million, to ¥7.5 billion, resulting in net other income of ¥918 million, compared with ¥7.8 billion in the previous period. The decline in other income was due primarily to the absence of a net gain on the sale of outstanding shares of a cable television holding company accounted for under the equity method, which was recorded in the previous period.

### Income from Continuing Operations before Income Taxes

Income from continuing operations before income taxes amounted to ¥95.3 billion, an increase of 6.3%, or ¥5.6 billion, as an increase in operating income was partially offset by a decrease in net other income, that is, the net of other income minus other expenses.

## Segment Information

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

### Income Taxes

Income taxes increased ¥2.7 billion, to ¥40.6 billion, and were equivalent to 42.6% of income from continuing operations before income taxes, up from 42.2% in the previous period.

### Minority Interests in Subsidiaries and Equity in Net Income of Affiliated Companies

Minority interests in subsidiaries amounted to ¥4.6 billion, an increase of ¥722 million, owing mainly to the inclusion of the new fire protection services business.

Equity in net income of affiliated companies increased ¥2.5 billion, to ¥5.8 billion, owing partially to solid performances by affiliated companies accounted for under the equity method in Taiwan and the ROK.

### Net Income

Income from continuing operations and income before cumulative effect of accounting change were both ¥55.9 billion, an increase of 9.2%, or ¥4.7 billion, and equivalent to 8.8% of net sales and operating revenue, the same as in the previous period.

As a consequence of these and other factors, net income rose 11.0%, or ¥5.6 billion, to ¥55.9 billion. Net income per share was ¥248.42. A resolution to raise cash dividends by ¥20.00, to ¥80.00 per share, was approved at the general shareholders' meeting on June 27, 2007. This increase in dividends reflected solid operating results, and was in line with the Company's aim of ensuring returns to shareholders that accurately reflect its operating performance by shifting the basis for determining dividends—calculated using Japanese accounting principles—to consolidated results, from nonconsolidated results, which it previously used.

### Security Services

The security services segment encompasses electronic security services, other security services and merchandise and other. In the period under review, net sales and operating revenue in the segment rose 3.9%, or ¥15.5 billion, to ¥416.9 billion. Excluding intersegment transactions, segment sales and operating revenue was ¥415.4 billion, equivalent to 65.3% of total net sales and operating revenue, down from 68.9% in the previous period.

Electronic security services include centralized systems (on-line commercial and home security systems) and large-scale proprietary security systems, which center on surveillance services at the subscriber's premises. Commercial and home on-line security systems, the core of the Company's electronic security services business, use sensors installed at the customer's premises to detect events, such as intrusions, fires and equipment malfunctions. Sensors are linked to a SECOM control center via telecommunications circuits to enable remote monitoring around-the-clock. Should an event be detected, the relevant information is relayed to the control center, where control center staff dispatch emergency response personnel. Control center staff also notify the police or fire department if required, while emergency response personnel take other appropriate measures. To ensure its ability to deliver the level of quality customers expect, the Company has established an integrated process that allows it to maintain control over every aspect of its electronic security services, from centralized systems research and development (R&D) to equipment manufacturing, sales, installation, 24-hour monitoring, dispatch of emergency response personnel and maintenance.

In the period under review, net sales and operating income from electronic security services amounted to ¥285.9

billion, an increase of 2.9%, or ¥8.0 billion. Commercial subscriptions for on-line security systems suited to a wide range of buildings and applications continued to increase steadily. In the area of home security systems, the Company enhanced its product lineup, thereby enabling customers to choose the most appropriate system based on the size and configuration of their home, as well as positioning the Company to serve a broader range of customers.

Other security services include static guard services, staffed by highly trained professionals, for security situations that require human judgment and flexible responses, and armored car services, for the transport of cash and valuables by specially fitted armored cars and security professionals. In the period under review, net sales and operating revenue from static guard services increased 1.6%, or ¥664 million, to ¥42.1 billion, and that from armored car services rose 4.8%, or ¥939 million, to ¥20.3 billion.

The merchandise and other category encompasses a wide range of security products, including access-control systems, CCTV surveillance systems, fire extinguishing systems and external monitoring systems, which can be used alone or connected to on-line security systems. In the period under review, these products and services generated net sales and operating revenue of ¥67.1 billion, an increase of 9.5%, or ¥5.8 billion. Increasing awareness of the need to ensure protection against crime, as well as to properly manage information assets, continued to support brisk sales of access-control systems and CCTV surveillance systems.

Operating income in the security services segment advanced 11.0%, or ¥9.5 billion, to ¥96.2 billion, and the operating margin rose to 23.1%, from 21.6% in the previous period. The increase in segment operating income



was due mainly to the absence of a settlement loss of benefit obligation on transfer to defined contribution pension plan recorded in the previous period, and to a decline in advertising costs.

### Fire Protection Services

Fire protection services include automatic fire alarm systems, fire extinguishing systems and other fire protection systems for a wide range of applications, including office buildings, plants, tunnels, cultural properties, ships and residences.

In the period under review, net sales and operating revenue in the fire protection services segment amounted to ¥28.4 billion. Operating income was ¥1.8 billion, while the operating margin was 6.4%. Results for this segment include the operating results of Nohmi Bosai and its subsidiaries subsequent to its acquisition in December 2006.

### Medical Services

The medical services segment encompasses home medical services, including pharmaceutical dispensing and delivery and home nursing services; remote image diagnosis support services; electronic medical report systems; sales of medical equipment; the operation of nursing homes; personal care services; and the leasing of real estate for medical institutions.

In the period under review, net sales and operating revenue in the medical services segment amounted to ¥46.1 billion, up 16.9%, or ¥6.7 billion. Key factors behind this result included an increase in net sales and operating revenue from the operation of nursing homes and the consolidation of three variable interest entities engaged in the management of hospitals and health care-related institutions at the previous fiscal year-end.

The segment registered an operating loss of ¥2.9 billion in the period under review, compared with an operating loss of ¥1.3 billion in the previous period. This primarily reflected an increase in impairment loss on goodwill and an impairment loss on long-lived assets.

### Insurance Services

In addition to security services, which provide prior protection, the Company offers non-life insurance, which looks after customers in the event of misfortune. The Company has developed and markets a variety of distinctive non-life insurance policies, including Security Discount Fire Policy, a commercial fire insurance policy, and SECOM *Anshin My Home*, a comprehensive fire insurance policy for residences, which offer a discount on premiums to subscribers who have installed on-line security systems, recognizing this as a risk-lowering factor. Other offerings include New SECOM *Anshin My Car*, a comprehensive automobile insurance policy that offers on-site support services—provided by the Company's on-line emergency response personnel—in the event of an accident, and MEDCOM, an unrestricted cancer treatment policy that covers the entire cost of medical treatments for cancer.

In the period under review, net sales and operating revenue in the insurance services segment rose 8.3%, or ¥2.6 billion, to ¥34.7 billion, owing to expanded marketing of non-life insurance policies, which boosted net premiums written.

The insurance services segment posted operating income of ¥3.8 billion, down 25.9%, or ¥1.3 billion. This result primarily reflected an increase in net claims paid, owing to the impact of typhoons occurring during the period.

### Geographic Information Services

This segment encompasses a variety of GIS services tailored to the needs of the public and private sectors, as well as surveying and measuring, and construction consulting, services.

In the period under review, net sales and operating revenue in the geographic information services segment amounted to ¥36.6 billion, an increase of 3.4%, or ¥1.2 billion. Efforts included the provision of high-precision national geospatial data using laser scanners and digital sensors. The Company also provided GIS services tailored to the needs of private-sector customers, primarily companies.

Segment operating income fell 56.2%, or ¥506 million, to ¥394 million, and the operating margin slipped to 1.1%, from 2.5%. This result was due primarily to an increase in the cost-of-sales ratio prompted by increasingly intense pricing competition in the market.

### Information and Communication Related and Other Services

This segment includes information and communications related services, including cyber security and information network system operation services, real estate development and sales, and real estate leasing.

In the period under review, net sales and operating revenue in the information and communication related and other services segment rose 7.0%, or ¥5.8 billion, to ¥88.6 billion. This result primarily reflected a strong performance by the real estate development and sales business, bolstered by brisk sales of condominiums.

Robust results boosted operating income in the real estate development and sales business. As a consequence, segment operating income increased 30.0%, or ¥1.7 billion, to ¥7.3 billion, and the operating margin rose to 8.3%, from 6.8%.

## Financial Position

Total assets of the Company as of March 31, 2007, amounted to ¥1,241.2 billion, up 1.3%, or ¥16.0 billion, from the previous fiscal year-end.

Total current assets declined 4.2%, or ¥24.4 billion, to ¥554.2 billion. This mainly reflected declines in cash and cash equivalents (for more details, please see Cash Flows below) and short-term investments, the latter a consequence of the redemption of public and corporate bonds in the insurance services business, which were partially offset by increases in inventories in the real estate development and sales business, and an increase in inventories and notes and accounts receivable, trade, in the fire protection services business, newly included in the Company's consolidated accounts. Owing to the decline in current assets and an increase in current liabilities, an explanation of which is presented below, the current ratio edged down to 1.6 times, from 1.8 times at the previous fiscal year-end.

Investments and long-term receivables rose 5.7%, or ¥17.8 billion, to ¥328.6 billion, owing primarily to an increase in investment securities in the insurance services business.

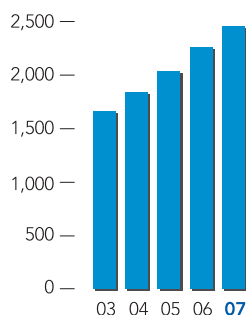
Property, plant and equipment, less accumulated depreciation, increased 3.1%, or ¥7.4 billion, to ¥250.5 billion. This was primarily attributable to the inclusion of the new fire protection services business in the Company's consolidated accounts and the acquisition of real estate for lease in the real estate leasing business.

Other assets rose 16.3%, or ¥15.1 billion, to ¥107.9 billion. This was mainly due to an increase in other intangible assets related to the inclusion of the new fire protection services business in the Company's consolidated accounts, an increase in prepaid pension and severance costs, and an increase in deferred charges attributable to an increase in the number of security services subscribers.

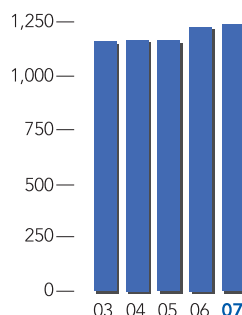
Total liabilities of the Company declined 7.7%, or ¥52.5 billion, to ¥628.1 billion. Total current liabilities were ¥348.1 billion, up 6.1%, or ¥20.0 billion, as increases in bank loans in the real estate development and sales business; notes and accounts payable, trade, in the fire protection services business, newly included in the Company's consolidated accounts; and deposits received related to armored car services, were partially offset by a decline in current portion of long-term debt prompted by the redemption of bonds. The decline in total liabilities also reflected a ¥94.4 billion decline in investment deposits by policyholders, to ¥93.4 billion, owing to the payout at maturity of insurance policies with fixed maturities.

Total shareholders' equity rose 8.5%, or ¥43.0 billion, to ¥551.7 billion. Retained earnings were ¥428.9 billion, up ¥42.3 billion. Accumulated other comprehensive income amounted to ¥11.4 billion, an increase of ¥744 million. The equity ratio rose to 44.5%, from 41.5%.

**Shareholders' Equity per Share**  
(In yen)



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



## Cash Flows

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

In the period under review, net cash provided by operating activities amounted to ¥67.9 billion. The principal items contributing to this total were net income of ¥55.9 billion and depreciation and amortization of ¥58.2 billion, which rose due to an increase in property, plant and equipment, while cash used in operating activities included an increase in deferred charges of ¥18.3 billion and an increase in inventories of ¥17.3 billion. Operating activities provided ¥10.6 billion less than in the previous period, owing mainly to an increase in receivables and due from subscribers, net of

allowances, of ¥13.8 billion, up from ¥668 million in the previous period.

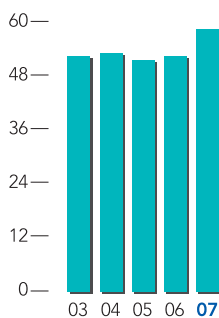
Net cash provided by investing activities amounted to ¥22.0 billion. Significant factors included net proceeds from sales of short-term investments and investment securities of ¥62.2 billion, net proceeds from short-term and long-term receivables of ¥8.4 billion. Payments for purchases of property, plant and equipment totaled ¥46.4 billion, partially as a result of the purchase of security equipment and control stations, prompted by an increase in the number of security service subscribers. Investing activities provided ¥18.2 billion more than in the previous period, primarily as a consequence of the sale of short-term investments and investment securities to fund the payout of investment deposits by insurance policyholders.

Net cash used in financing activities was ¥128.4 billion. This amount included

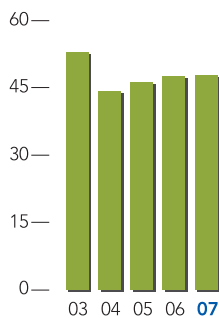
a ¥94.4 billion decrease in investment deposits by policyholders, a consequence of the payout of insurance policies at maturity, and repayments of long-term debt—primarily the redemption of bonds—of ¥52.3 billion. Financing activities used ¥79.6 billion more than in the previous period, owing to the aforementioned decrease in investment deposits by policyholders of ¥94.4 billion, compared with a decrease of ¥39.9 billion in the previous period, and repayments of long-term debt of ¥52.3 billion, up from ¥11.4 billion in the previous period.

As a result of the operating, investing and financing activities of the Company during the period under review, cash and cash equivalents at end of year amounted to ¥193.2 billion, down ¥37.8 billion from ¥231.0 billion at the previous fiscal year-end.

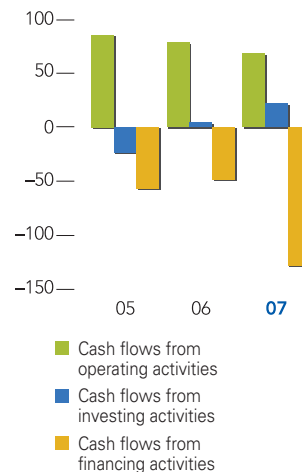
**Depreciation and Amortization**  
(In billions of yen)



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



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







# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEETS

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

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2007	2006	March 31 2007
<b>ASSETS</b>			
<b>Current assets:</b>			
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
<b>Investments and long-term receivables:</b>			
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
<b>Property, plant and equipment (Notes 11, 13, 20 and 21):</b>			
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
<b>Other assets:</b>			
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)
	2007	March 31 2006	March 31 2007
<b>Current liabilities:</b>			
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
<b>Net sales and operating revenue</b> .....	<b>¥636,678</b>	<b>¥580,526</b>	<b>¥552,354</b>	<b>\$5,395,576</b>
<b>Costs and expenses:</b>				
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	—	—
	<b>542,260</b>	<b>498,633</b>	<b>476,796</b>	<b>4,595,423</b>
Operating income .....	<b>94,418</b>	<b>81,893</b>	<b>75,558</b>	<b>800,153</b>
<b>Other income:</b>				
Interest .....	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
	<b>8,437</b>	<b>15,936</b>	<b>6,566</b>	<b>71,500</b>
<b>Other expenses:</b>				
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
	<b>7,519</b>	<b>8,101</b>	<b>7,851</b>	<b>63,720</b>
Income from continuing operations before income taxes .....	<b>95,336</b>	<b>89,728</b>	<b>74,273</b>	<b>807,933</b>
<b>Income taxes</b> (Note 17):				
Current .....	40,136	34,931	32,188	340,136
Deferred .....	430	2,973	(247)	3,644
	<b>40,566</b>	<b>37,904</b>	<b>31,941</b>	<b>343,780</b>
Income from continuing operations before minority interests in subsidiaries and equity in net income of affiliated companies .....	<b>54,770</b>	<b>51,824</b>	<b>42,332</b>	<b>464,153</b>
<b>Minority interests in subsidiaries</b> .....	<b>(4,649)</b>	<b>(3,927)</b>	<b>(2,917)</b>	<b>(39,398)</b>
<b>Equity in net income of affiliated companies</b> .....	<b>5,768</b>	<b>3,298</b>	<b>2,334</b>	<b>48,881</b>
Income from continuing operations .....	<b>55,889</b>	<b>51,195</b>	<b>41,749</b>	<b>473,636</b>
<b>Income from discontinued operations, net of tax</b> (Note 25) .....	<b>—</b>	<b>—</b>	<b>9,877</b>	<b>—</b>
Income before cumulative effect of accounting change .....	<b>55,889</b>	<b>51,195</b>	<b>51,626</b>	<b>473,636</b>
<b>Cumulative effect of accounting change, net of tax</b> (Notes 2 (2) and (10)) .....	<b>—</b>	<b>(864)</b>	<b>507</b>	<b>—</b>
Net income .....	<b>¥ 55,889</b>	<b>¥ 50,331</b>	<b>¥ 52,133</b>	<b>\$ 473,636</b>

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2007	2006	2005	2007
<b>Per share data</b> (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
<b>Cash dividends per share</b> .....	<b>¥ 60.00</b>	<b>¥ 50.00</b>	<b>¥ 45.00</b>	<b>\$0.51</b>

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

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 com- prehensive income (loss)	Common stock in treasury, at cost	Total
<b>Balance, March 31, 2004</b> .....	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 .....	—	—	—	—	(10,127)	—	—	(10,127)
Cash dividends .....	—	—	—	—	(72)	—	—	—
Transfer to legal reserve .....	—	—	—	72	—	—	—	—
Conversion of convertible bonds .....	7,584	9	9	—	—	—	—	18
Net changes in treasury stock .....	—	—	—	—	—	—	(157)	(157)
<b>Balance, March 31, 2005</b> .....	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 .....	—	—	—	—	(11,251)	—	—	(11,251)
Cash dividends .....	—	—	—	—	(38)	—	—	—
Transfer to legal reserve .....	—	—	—	38	—	—	—	—
Net changes in treasury stock .....	—	—	—	—	—	—	(192)	(192)
<b>Balance, March 31, 2006</b> .....	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 .....	—	—	—	—	—	1,681	—	1,681
Adjustments for initially applying SFAS No. 158, net of tax (Note 15) .....	—	—	—	—	—	—	—	—
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)
<b>Balance, March 31, 2007</b> .....	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 com- prehensive income (loss)	Common stock in treasury, at cost	Total
<b>Balance, March 31, 2006</b>	\$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	—	—	—	—	14,247	—	14,247
Adjustments for initially applying SFAS No. 158, net of tax (Note 15)	—	—	—	(114,399)	—	—	(114,399)
Cash dividends	—	—	—	(830)	—	—	—
Transfer to legal reserve	—	—	830	—	—	—	—
Gain on disposal of treasury stock	—	17	—	—	—	—	17
Net changes in treasury stock	—	—	—	—	—	(848)	(848)
<b>Balance, March 31, 2007</b>	\$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
<b>Cash flows from operating activities:</b>				
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
<b>Cash flows from investing activities:</b>				
(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
<b>Cash flows from financing activities:</b>				
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)
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>620</b>	<b>470</b>	<b>26</b>	<b>5,254</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(37,829)</b>	<b>34,032</b>	<b>4,120</b>	<b>(320,585)</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>231,044</b>	<b>197,012</b>	<b>192,892</b>	<b>1,958,000</b>
<b>Cash and cash equivalents at end of year .....</b>	<b>¥193,215</b>	<b>¥231,044</b>	<b>¥197,012</b>	<b>\$1,637,415</b>

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
<b>For the year ended March 31, 2007:</b>			
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
<b>For the year ended March 31, 2006:</b>			
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
<b>For the year ended March 31, 2005:</b>			
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
<b>For the year ended March 31, 2007:</b>			
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 .....	<b>¥686,429</b>	¥653,872
Pro forma net income .....	<b>56,090</b>	50,573

	Unaudited	
	In yen	
	Years ended March 31	
	2007	2006
Pro forma net income per share:		
—Basic .....	<b>¥249.32</b>	¥224.77
—Diluted .....	<b>249.32</b>	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 .....	<b>¥140,849</b>	¥144,024	<b>\$1,193,635</b>
Time deposits .....	<b>34,087</b>	60,345	<b>288,873</b>
Call loan .....	<b>15,000</b>	25,000	<b>127,119</b>
Investment securities .....	<b>3,279</b>	1,675	<b>27,788</b>
	<b>¥193,215</b>	¥231,044	<b>\$1,637,415</b>

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			
	Cost	Gross unrealized		Fair value
		Gains	Losses	
Available-for-sale:				
Equity securities .....	<b>¥ 60,394</b>	<b>¥19,798</b>	<b>¥3,065</b>	<b>¥ 77,127</b>
Debt securities .....	<b>103,173</b>	<b>923</b>	<b>1,066</b>	<b>103,030</b>
Total .....	<b>¥163,567</b>	<b>¥20,721</b>	<b>¥4,131</b>	<b>¥180,157</b>
Held-to-maturity:				
Debt securities .....	<b>¥ 3,526</b>	<b>¥ —</b>	<b>¥ 20</b>	<b>¥ 3,506</b>

	In millions of yen			
	March 31, 2006			
	Cost	Gross unrealized		Fair value
		Gains	Losses	
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			
	Cost	Gross unrealized		Fair value
		Gains	Losses	
Available-for-sale:				
Equity securities .....	<b>\$ 511,814</b>	<b>\$167,779</b>	<b>\$25,974</b>	<b>\$ 653,619</b>
Debt securities .....	<b>874,347</b>	<b>7,822</b>	<b>9,034</b>	<b>873,135</b>
Total .....	<b>\$1,386,161</b>	<b>\$175,601</b>	<b>\$35,008</b>	<b>\$1,526,754</b>
Held-to-maturity:				
Debt securities .....	<b>\$ 29,881</b>	<b>\$ —</b>	<b>\$ 169</b>	<b>\$ 29,712</b>

Gross unrealized losses on, and fair value of, “available-for-sale” and “held-to-maturity” securities, aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position, at March 31, 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 .....				
Due after 1 year	¥ 14,809	¥ 14,759	¥ 113	¥ 113
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 .....				
Due after 1 year	\$125,500	\$125,076	\$ 958	\$ 958
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
	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		
	Gross carrying amount	Accumulated amortization	Net carrying amount
March 31, 2007			
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		
	Gross carrying amount	Accumulated amortization	Net carrying amount
March 31, 2006			
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		
	Gross carrying amount	Accumulated amortization	Net carrying amount
March 31, 2007			
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				Total
	Security services	Medical services	Geographic information services	Information and communication related and other services	
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... Translation adjustment.....	—	(149)	—	—	(149)
	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... Translation adjustment.....	—	(2,336)	(152)	(478)	(2,966)
	155	—	—	—	155
<b>March 31, 2007 .....</b>	<b>¥1,457</b>	<b>¥7,047</b>	<b>¥3,623</b>	<b>¥5,236</b>	<b>¥17,363</b>

	In thousands of U.S. dollars				Total
	Security services	Medical services	Geographic information services	Information and communication related and other services	
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... Translation adjustment.....	—	(19,797)	(1,288)	(4,051)	(25,136)
	1,313	—	—	—	1,313
<b>March 31, 2007 .....</b>	<b>\$12,347</b>	<b>\$59,720</b>	<b>\$30,704</b>	<b>\$44,373</b>	<b>\$147,144</b>

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	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
	<b>50,197</b>	<b>80,496</b>	<b>425,399</b>
Less:			
Portion due within one year .....	10,044	44,714	85,119
	<b>¥40,153</b>	<b>¥35,782</b>	<b>\$340,280</b>

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 thousands of	
	In millions of yen	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 pension 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 .....	<b>¥13,239</b>	<b>¥2,578</b>	<b>¥15,817</b>
Deferred income taxes (Other assets) .....	<b>7,107</b>	<b>(1,034)</b>	<b>6,073</b>
Accrued pension and severance costs .....	<b>17,914</b>	<b>532</b>	<b>18,446</b>
Minority interests in subsidiaries ...	<b>61,706</b>	<b>(395)</b>	<b>61,311</b>
Accumulated other comprehensive income (loss) .....	<b>13,114</b>	<b>(1,681)</b>	<b>11,433</b>

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

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

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

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

<b>For the year ended March 31, 2006:</b>			
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
<b>For the year ended March 31, 2005:</b>			
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
<b>For the year ended March 31, 2007:</b>			
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 .....	<b>¥32,375</b>	¥29,574	<b>\$274,364</b>
Estimated executory cost .....	<b>(2,034)</b>	(1,926)	<b>(17,237)</b>
Estimated unguaranteed residual value .....	<b>2,161</b>	2,160	<b>18,314</b>
Unearned income .....	<b>(6,289)</b>	(6,559)	<b>(53,297)</b>
Lease receivables, net .....	<b>26,213</b>	23,249	<b>222,144</b>
Less: Current portion .....	<b>(6,340)</b>	(5,122)	<b>(53,729)</b>
Long-term lease receivables, net .....	<b>¥19,873</b>	¥18,127	<b>\$168,415</b>

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 .....	<b>¥25,686</b>	¥20,928	<b>\$217,678</b>
Buildings and improvements.....	<b>26,299</b>	25,737	<b>222,873</b>
Other intangible assets.....	<b>775</b>	1,158	<b>6,568</b>
Accumulated depreciation .....	<b>(6,881)</b>	(6,324)	<b>(58,314)</b>
	<b>¥45,879</b>	¥41,499	<b>\$388,805</b>

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-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are internationally recognized financial institutions and contracts are diversified to a number of major financial institutions.

### (2) Interest Rate Risk Management

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

### (3) Cash Flow Hedge

The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originated from floating rate borrowings. The interest rate swap agreements mature at various dates through 2012. The effective portion of changes in fair values of derivative instruments designated as cash flow hedges of these debt obligations are reported in other comprehensive income (loss). These amounts are reclassified into current income in the same period that hedged items affect current income. The ineffective portion of changes in fair values are reported in income immediately. The sum of the amount of the hedge ineffectiveness and net gains or losses excluded from the assessment of hedge effectiveness is not material for the years ended March 31, 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 .....	<b>¥415,410</b>	¥400,044	¥382,360	<b>\$3,520,424</b>
Intersegment .....	<b>1,491</b>	1,317	1,362	<b>12,636</b>
	<b>416,901</b>	401,361	383,722	<b>3,533,060</b>
Fire protection services—				
Customers .....	<b>27,448</b>	—	—	<b>232,610</b>
Intersegment .....	<b>944</b>	—	—	<b>8,000</b>
	<b>28,392</b>	—	—	<b>240,610</b>
Medical services—				
Customers .....	<b>45,852</b>	39,215	34,688	<b>388,576</b>
Intersegment .....	<b>233</b>	220	215	<b>1,975</b>
	<b>46,085</b>	39,435	34,903	<b>390,551</b>
Insurance services—				
Customers .....	<b>31,978</b>	29,537	26,465	<b>271,000</b>
Intersegment .....	<b>2,702</b>	2,496	2,776	<b>22,898</b>
	<b>34,680</b>	32,033	29,241	<b>293,898</b>
Geographic information services—				
Customers .....	<b>36,438</b>	35,271	34,915	<b>308,797</b>
Intersegment .....	<b>138</b>	113	253	<b>1,169</b>
	<b>36,576</b>	35,384	35,168	<b>309,966</b>
Information and communication related and other services—				
Customers .....	<b>79,552</b>	76,459	73,926	<b>674,169</b>
Intersegment .....	<b>9,096</b>	6,406	4,821	<b>77,085</b>
	<b>88,648</b>	82,865	78,747	<b>751,254</b>
Total .....	<b>651,282</b>	591,078	561,781	<b>5,519,339</b>
Eliminations .....	<b>(14,604)</b>	(10,552)	(9,427)	<b>(123,763)</b>
Total net sales and operating revenue .....	<b>¥636,678</b>	¥580,526	¥552,354	<b>\$5,395,576</b>

	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
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.....	<b>¥285,858</b>	¥277,892	¥271,872	<b>\$2,422,525</b>
Other security services:				
Static guard services .....	<b>42,144</b>	41,480	38,302	<b>357,153</b>
Armored car services .....	<b>20,308</b>	19,369	18,462	<b>172,102</b>
Merchandise and other .....	<b>67,100</b>	61,303	53,724	<b>568,644</b>
Total security services .....	<b>¥415,410</b>	¥400,044	¥382,360	<b>\$3,520,424</b>

## (2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on location of customers and long-lived assets for the years ended March 31, 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 .....	<b>¥620,435</b>	¥564,803	¥538,851	<b>\$5,257,924</b>
Other .....	<b>16,243</b>	15,723	13,503	<b>137,652</b>
Total .....	<b>¥636,678</b>	¥580,526	¥552,354	<b>\$5,395,576</b>

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

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 LLP & Co.*

Tokyo, Japan  
June 27, 2007





# Summary of Selected Financial Data

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

In millions of yen

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

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

## Summary of Selected Financial Data

	2007	2006	2005	2004	2003	2002
<b>Number of shares outstanding</b>						
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
<b>Per share information</b>						
Basic net income per share (in yen) <sup>(1)</sup> .....	¥ 248.42	¥ 223.69	¥ 231.66	¥ 104.32	¥ 132.87	¥ 146.19
Cash dividends paid per share (in yen) <sup>(2)</sup> .....	60.00	50.00	45.00	40.00	40.00	40.00
Shareholders' equity per share (in yen) <sup>(3)</sup> .....	2,452.47	2,261.00	2,034.63	1,847.80	1,655.04	1,720.57
Cash flow per share (in yen) <sup>(1) (e)</sup> .....	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
<b>Number of shareholders</b> .....	<b>30,683</b>	19,807	21,327	21,720	20,230	17,609
Common shares held by:						
Financial institutions.....	<b>32.21%</b>	33.04%	34.32%	37.04%	46.14%	45.31%
Securities firms .....	<b>3.68</b>	2.16	1.99	2.19	2.04	1.61
Other corporations.....	<b>3.86</b>	3.92	4.13	4.29	4.60	13.78
Foreign investors .....	<b>42.43</b>	43.40	40.75	37.22	28.64	24.64
Individuals and others .....	<b>17.82</b>	17.48	18.81	19.26	18.58	14.66
Total.....	<b>100.00%</b>	100.00%	100.00%	100.00%	100.00%	100.00%

## PRICE INFORMATION (TOKYO STOCK EXCHANGE)

	Price per share (in yen)		Nikkei Stock Average (in yen)	
	High	Low	High	Low
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.

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## CONDENSED CONSOLIDATED BALANCE SHEETS (Based on Japanese GAAP)

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

	In millions of yen					
ASSETS	2007	2006	2005	2004	2003	2002
<b>Current assets:</b>						
Cash on hand and in banks.....	¥ 181,266	¥ 271,780	¥ 246,693	¥ 202,630	¥ 175,776	¥ 192,437
Cash deposits for armored car services .....	75,328	—	—	—	—	—
Call loans.....	15,000	25,000	10,000	38,000	30,000	40,000
Notes and accounts receivable, trade.....	83,397	52,667	50,183	46,813	43,922	46,048
Due from subscribers.....	19,217	17,678	16,204	17,561	16,336	14,395
Short-term investments .....	18,171	83,809	73,252	47,343	36,402	31,321
Inventories.....	97,670	64,194	40,979	45,477	41,339	55,387
Deferred income taxes .....	11,597	9,462	8,207	9,768	7,678	9,111
Short-term loans receivable .....	5,097	15,564	46,375	58,793	51,355	90,610
Other .....	19,660	13,419	17,676	17,205	19,650	17,441
Allowance for doubtful accounts .....	(1,923)	(1,617)	(1,297)	(4,925)	(1,558)	(1,501)
Total current assets .....	524,484	551,959	508,274	478,668	420,903	495,251
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements.....	87,306	77,270	72,816	79,072	90,823	68,804
Security equipment and control stations.....	63,675	63,070	64,104	65,315	65,026	78,328
Land.....	80,341	65,542	65,151	80,507	87,853	63,547
Other .....	29,485	28,183	21,509	19,050	17,313	19,321
Intangible assets .....	23,294	24,384	27,582	33,820	34,544	37,460
Investments and others:						
Investment securities.....	243,148	231,096	243,031	207,654	188,880	158,438
Long-term loans receivable.....	55,223	57,564	42,983	63,799	102,448	86,420
Prepaid pension and severance costs .....	15,817	11,186	1,527	—	—	—
Deferred income taxes.....	15,654	11,256	18,509	22,523	38,056	38,299
Other .....	45,692	41,217	42,258	55,528	52,098	37,452
Allowance for doubtful accounts.....	(15,161)	(13,401)	(10,292)	(14,060)	(8,010)	(12,341)
Total fixed assets .....	644,478	597,370	589,183	613,211	669,034	575,731
Deferred assets.....	219	47	90	187	192	207
Total assets .....	¥1,169,182	¥1,149,377	¥1,097,548	¥1,092,067	¥1,090,131	¥1,071,190

In millions of yen

LIABILITIES	2007	2006	2005	2004	2003	2002
<b>Current liabilities:</b>						
Notes and accounts payable, trade.....	¥ 28,469	¥ 18,652	¥ 15,693	¥ 18,460	¥ 15,529	¥ 16,401
Bank loans.....	129,169	112,868	108,172	119,344	135,540	90,194
Current portion of straight bonds.....	3,356	32,210	690	200	—	5,000
Current portion of convertible bonds.....	—	—	—	18	—	33
Payables—other.....	29,888	26,340	18,959	17,743	19,580	20,229
Accrued income taxes.....	24,973	22,159	16,197	17,083	10,756	23,002
Accrued consumption taxes.....	3,366	2,588	2,698	3,792	3,444	3,030
Accrued expenses.....	3,198	2,085	2,275	2,304	1,837	1,828
Deferred revenue.....	31,188	30,747	28,532	28,459	28,851	27,373
Accrued bonuses.....	11,409	8,981	8,758	8,490	8,852	8,834
Accrued bonuses to directors and corporate auditors...	80	—	—	—	—	—
Other.....	58,665	46,805	44,245	45,283	35,140	29,045
Total current liabilities.....	323,766	303,440	246,222	261,181	259,531	224,972
<b>Long-term liabilities:</b>						
Straight bonds.....	13,941	11,180	40,940	32,800	32,000	30,500
Convertible bonds.....	—	—	—	—	18	18
Long-term loans.....	14,363	13,444	14,513	43,530	48,301	48,671
Guarantee deposits received.....	32,164	28,982	28,737	29,160	28,304	26,174
Deferred income taxes.....	2,717	1,079	423	371	459	1
Accrued pension and severance costs.....	17,596	11,362	12,617	12,899	45,210	49,617
Accrued retirement benefits for directors and corporate auditors.....	2,300	1,565	—	—	—	—
Investment deposits by policyholders, unearned premiums and other insurance liabilities.....	160,142	245,644	278,278	276,979	274,476	268,519
Other.....	1,073	1,043	1,724	2,117	4,033	3,164
Total long-term liabilities.....	244,299	314,303	377,234	397,858	432,803	426,666
Total liabilities.....	568,065	617,743	623,457	659,040	692,335	651,639
<b>MINORITY INTERESTS IN SUBSIDIARIES</b> .....	—	35,469	32,163	29,770	28,042	27,401
<b>SHAREHOLDERS' EQUITY</b>						
Common stock.....	—	66,377	66,377	66,368	66,368	66,360
Capital surplus.....	—	83,054	82,553	82,544	82,544	82,536
Retained earnings.....	—	388,077	346,510	308,268	276,397	250,400
Unrealized gains (losses) on securities.....	—	13,230	8,167	6,079	116	(246)
Foreign currency translation adjustments.....	—	(9,825)	(17,123)	(15,603)	(11,386)	(6,759)
Common stock in treasury, at cost.....	—	(44,749)	(44,558)	(44,400)	(44,287)	(141)
Total shareholders' equity.....	—	496,164	441,927	403,257	369,753	392,149
Total liabilities, minority interests in subsidiaries and shareholders' equity.....	¥ —	¥1,149,377	¥1,097,548	¥1,092,067	¥1,090,131	¥1,071,190
<b>NET ASSETS</b>						
<b>Shareholders' equity:</b>						
Common stock.....	¥ 66,377	¥ —	¥ —	¥ —	¥ —	¥ —
Capital surplus.....	83,056	—	—	—	—	—
Retained earnings.....	432,696	—	—	—	—	—
Common stock in treasury, at cost.....	(44,850)	—	—	—	—	—
Total shareholders' equity.....	537,279	—	—	—	—	—
<b>Valuation, translation adjustments and others:</b>						
Unrealized gains on securities.....	10,157	—	—	—	—	—
Deferred losses on hedges.....	(51)	—	—	—	—	—
Foreign currency translation adjustments.....	(7,253)	—	—	—	—	—
Total valuation, translation adjustments and others.....	2,853	—	—	—	—	—
<b>Minority interests in subsidiaries</b> .....	60,983	—	—	—	—	—
Total net assets.....	601,116	—	—	—	—	—
Total liabilities and net assets.....	¥1,169,182	¥ —	¥ —	¥ —	¥ —	¥ —



## CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Based on Japanese GAAP)

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

	In millions of yen					
	2007	2006	2005	2004	2003	2002
Revenue .....	<b>¥613,976</b>	¥567,315	¥547,230	¥527,409	¥523,271	¥497,921
<i>Percentage change from prior year.....</i>	<b>8.2%</b>	3.7%	3.8%	0.8%	5.1%	9.4%
Costs of revenue .....	<b>388,787</b>	351,020	341,466	324,759	325,952	319,826
<i>As a percentage of revenue .....</i>	<b>63.3</b>	61.9	62.4	61.6	62.3	64.2
Gross profit .....	<b>255,189</b>	216,294	205,764	202,650	197,319	178,094
<i>As a percentage of revenue .....</i>	<b>36.7</b>	38.1	37.6	38.4	37.7	35.8
Selling, general and administrative expenses.....	<b>127,348</b>	122,185	122,720	121,363	124,416	135,071
<i>As a percentage of revenue .....</i>	<b>20.7</b>	21.5	22.4	23.0	23.8	27.2
Operating profit.....	<b>97,840</b>	94,109	83,043	81,286	72,902	43,022
<i>As a percentage of revenue .....</i>	<b>15.9</b>	16.6	15.2	15.4	13.9	8.6
Non-operating income.....	<b>15,087</b>	15,792	11,942	7,798	8,672	8,088
Non-operating expenses .....	<b>10,207</b>	13,232	11,507	12,841	11,512	9,569
Ordinary profit.....	<b>102,720</b>	96,669	83,478	76,243	70,063	41,541
<i>As a percentage of revenue .....</i>	<b>16.7</b>	17.1	15.3	14.5	13.4	8.3
Extraordinary profit.....	<b>2,601</b>	9,349	11,381	31,860	13,587	33,491
Extraordinary loss .....	<b>3,317</b>	11,189	10,105	24,892	15,728	53,150
Income before income taxes.....	<b>102,005</b>	94,829	84,754	83,211	67,921	21,882
<i>As a percentage of revenue .....</i>	<b>16.6</b>	16.7	15.5	15.8	13.0	4.4
Income taxes—current.....	<b>39,961</b>	34,888	28,723	30,962	27,808	37,095
Income taxes—deferred.....	<b>(660)</b>	3,131	4,145	8,985	2,171	(23,550)
Minority interest in subsidiaries .....	<b>4,404</b>	3,815	3,367	2,152	2,358	(1,246)
Net income.....	<b>58,299</b>	52,994	48,517	41,111	35,583	9,583
<i>As a percentage of revenue .....</i>	<b>9.5</b>	9.3	8.9	7.8	6.8	1.9
<i>Percentage change from prior year.....</i>	<b>10.0</b>	9.2	18.0	15.5	271.3	(73.0)

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Supplemental Nonconsolidated Financial Data  
(Based on Japanese GAAP)

**CONDENSED NONCONSOLIDATED BALANCE SHEETS** (Based on Japanese GAAP)

SECOM CO., LTD.  
As of March 31

In millions of yen

ASSETS	2007	2006	2005	2004	2003	2002
<b>Current assets:</b>						
Cash on hand and in banks.....	¥ 71,818	¥167,097	¥135,400	¥117,302	¥ 93,044	¥101,946
Cash deposits for armored car services .....	67,799	—	—	—	—	—
Notes receivable .....	667	476	552	292	365	741
Due from subscribers.....	10,972	9,475	9,008	8,856	8,311	7,726
Accounts receivable, trade.....	6,952	6,447	6,228	5,372	4,695	6,719
Receivables—other.....	2,218	3,876	5,822	5,680	3,047	3,536
Short-term investments .....	452	451	451	451	7,951	1,479
Merchandise.....	5,991	5,928	6,740	5,673	6,738	9,563
Supplies.....	1,024	950	1,056	1,123	1,420	1,649
Prepaid expenses.....	2,014	1,798	1,728	1,610	1,507	1,857
Deferred income taxes .....	4,750	4,531	4,629	5,890	4,642	4,096
Short-term loans receivable .....	14,374	12,885	41,897	38,398	53,111	40,659
Other .....	2,615	2,314	2,614	2,526	2,367	2,458
Allowance for doubtful accounts .....	(541)	(604)	(2,299)	(5,216)	(3,602)	(2,959)
Total current assets .....	191,111	215,630	213,831	187,961	183,602	179,475
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements.....	22,124	22,811	23,943	25,836	28,777	20,576
Automobiles .....	136	166	132	145	525	634
Security equipment and control stations.....	60,284	59,442	59,836	60,684	60,220	75,216
Machinery and equipment .....	1,364	1,467	1,423	1,427	1,501	3,571
Tools, furniture and fixtures.....	4,216	4,379	4,514	3,990	3,678	3,383
Land.....	32,092	32,200	35,179	36,439	42,197	37,907
Construction in progress .....	2,980	1,919	1,692	2,862	1,463	2,011
Other .....	22	32	47	72	18	25
Intangible assets:						
Telephone rights .....	—	0	1,946	2,134	2,033	1,997
Telephone and telegraph utility rights.....	83	112	147	207	540	634
Software.....	4,755	6,420	6,401	8,935	10,957	10,535
Other .....	3,419	83	84	457	800	1,605
Investments and others:						
Investment securities.....	43,165	46,166	27,654	23,874	20,796	23,578
Investments in subsidiaries and affiliated companies.....	167,914	150,509	160,440	158,279	159,901	160,870
Long-term loans receivable.....	71,262	58,740	17,305	23,385	10,059	9,748
Lease deposits.....	8,973	9,006	8,816	8,533	8,489	8,504
Long-term prepaid expenses .....	24,855	22,175	20,335	19,889	19,709	1,025
Prepaid pension and severance costs .....	12,213	8,670	1,257	—	—	—
Deferred income taxes.....	5,139	6,206	10,450	13,728	18,379	19,223
Fund for insurance .....	4,893	4,893	5,153	5,761	5,761	5,406
Other .....	983	955	2,877	7,245	4,889	6,149
Allowance for doubtful accounts.....	(7,200)	(7,998)	(4,760)	(11,306)	(1,596)	(1,311)
Total fixed assets .....	463,680	428,359	384,880	392,586	399,104	391,293
Total assets .....	¥654,791	¥643,990	¥598,711	¥580,547	¥582,707	¥570,769

In millions of yen

LIABILITIES	2007	2006	2005	2004	2003	2002
<b>Current liabilities:</b>						
Accounts payable .....	¥ 2,573	¥ 3,168	¥ 2,113	¥ 2,160	¥ 2,121	¥ 1,813
Bank loans .....	27,667	26,069	31,473	35,663	53,503	15,234
Current portion of straight and convertible bonds .....	—	30,000	—	18	—	33
Payables—other .....	12,596	12,987	10,201	10,358	9,605	10,167
Payables—construction .....	3,825	3,634	3,113	4,666	3,535	3,514
Accrued income taxes .....	15,775	15,312	10,279	10,570	6,806	18,163
Accrued consumption taxes .....	2,029	1,509	1,306	2,232	2,157	1,839
Accrued expenses .....	639	651	599	634	576	619
Deposits received .....	41,603	34,442	31,146	33,958	24,749	20,867
Deferred revenue .....	22,735	22,371	21,727	21,247	21,048	20,108
Accrued bonuses .....	5,207	5,232	4,967	4,710	4,920	4,939
Other .....	895	1,938	1,764	1,797	1,679	933
Total current liabilities .....	135,548	157,317	118,694	128,019	130,706	98,234
<b>Long-term liabilities:</b>						
Straight and convertible bonds .....	—	—	30,000	30,000	30,018	30,018
Long-term loans .....	—	—	—	2,300	3,700	—
Guarantee deposits received .....	18,449	18,244	18,014	17,009	16,721	16,445
Accrued pension and severance costs .....	5,370	5,581	5,713	5,356	30,378	31,341
Accrued retirement benefits for directors and corporate auditors .....	1,268	1,201	—	—	—	—
Total long-term liabilities .....	25,088	25,027	53,728	54,665	80,818	77,805
Total liabilities .....	160,637	182,344	172,423	182,684	211,524	176,039
<b>SHAREHOLDERS' EQUITY</b>						
Common stock .....	—	66,377	66,377	66,368	66,368	66,360
Capital surplus:						
Additional paid-in capital .....	—	83,054	82,553	82,544	82,544	82,536
Total capital surplus .....	—	83,054	82,553	82,544	82,544	82,536
Retained earnings:						
Legal reserve .....	—	9,028	9,028	9,028	9,028	9,028
Voluntary reserve:						
Reserve for systems development .....	—	800	800	800	800	800
Reserve for tax deferral on asset replacement .....	—	24	25	26	27	28
General reserve .....	—	2,212	2,212	2,212	2,212	2,212
Total voluntary reserve .....	—	3,036	3,037	3,038	3,039	3,040
Unappropriated retained earnings .....	—	339,293	306,766	279,338	254,364	233,263
Total retained earnings .....	—	351,358	318,832	291,405	266,431	245,332
Unrealized gains on securities .....	—	5,604	3,082	1,944	124	642
Common stock in treasury, at cost .....	—	(44,749)	(44,558)	(44,400)	(44,287)	(141)
Total shareholders' equity .....	—	461,646	426,288	397,862	371,182	394,729
Total liabilities and shareholders' equity .....	¥ —	¥643,990	¥598,711	¥580,547	¥582,707	¥570,769
<b>NET ASSETS</b>						
<b>Shareholders' equity:</b>						
Common stock .....	¥ 66,377	¥ —	¥ —	¥ —	¥ —	¥ —
Capital surplus:						
Additional paid-in capital .....	83,054	—	—	—	—	—
Other capital surplus .....	1	—	—	—	—	—
Total capital surplus .....	83,056	—	—	—	—	—
Retained earnings:						
Legal reserve .....	9,028	—	—	—	—	—
Other retained earnings:						
Reserve for systems development .....	800	—	—	—	—	—
General reserve .....	2,212	—	—	—	—	—
Accumulated earnings carried forward .....	372,966	—	—	—	—	—
Total retained earnings .....	385,006	—	—	—	—	—
Common stock in treasury, at cost .....	(44,850)	—	—	—	—	—
Total shareholders' equity .....	489,590	—	—	—	—	—
<b>Valuation, translation adjustments and others:</b>						
Unrealized gains on securities .....	4,564	—	—	—	—	—
Total valuation, translation adjustments and others .....	4,564	—	—	—	—	—
Total net assets .....	494,154	—	—	—	—	—
Total liabilities and net assets .....	¥654,791	¥ —	¥ —	¥ —	¥ —	¥ —



## CONDENSED NONCONSOLIDATED STATEMENTS OF INCOME (Based on Japanese GAAP)

SECOM CO., LTD.  
Years ended March 31

	In millions of yen					
	2007	2006	2005	2004	2003	2002
Revenue .....	<b>¥326,076</b>	¥313,096	¥297,782	¥288,493	¥278,610	¥274,669
<i>Percentage change from prior year.....</i>	<i>4.1%</i>	5.1%	3.2%	3.5%	1.4%	6.9%
Service charges.....	<b>282,247</b>	272,876	261,918	256,883	250,237	244,014
<i>Percentage change from prior year.....</i>	<i>3.4</i>	4.2	2.0	2.7	2.5	5.8
Sales of merchandise.....	<b>43,829</b>	40,220	35,863	31,610	28,373	30,654
<i>Percentage change from prior year.....</i>	<i>9.0</i>	12.1	13.5	11.4	(7.4)	16.6
Costs .....	<b>183,341</b>	171,803	164,518	159,018	155,499	162,427
<i>As a percentage of revenue .....</i>	<i>56.2</i>	54.9	55.2	55.1	55.8	59.1
Cost of service.....	<b>151,532</b>	142,473	138,298	136,144	135,315	140,000
<i>As a percentage of service charges.....</i>	<i>53.7</i>	52.2	52.8	53.0	54.1	57.4
Cost of sales.....	<b>31,809</b>	29,329	26,219	22,873	20,184	22,427
<i>As a percentage of merchandise sales.....</i>	<i>72.6</i>	72.9	73.1	72.4	71.1	73.2
Gross profit .....	<b>142,734</b>	141,293	133,263	129,475	123,111	112,241
<i>As a percentage of revenue .....</i>	<i>43.8</i>	45.1	44.8	44.9	44.2	40.9
Gross profit on service .....	<b>130,715</b>	130,402	123,620	120,738	114,921	104,013
<i>As a percentage of service charges.....</i>	<i>46.3</i>	47.8	47.2	47.0	45.9	42.6
Gross profit on sales .....	<b>12,019</b>	10,890	9,643	8,736	8,189	8,227
<i>As a percentage of merchandise sales.....</i>	<i>27.4</i>	27.1	26.9	27.6	28.9	26.8
Selling, general and administrative expenses.....	<b>69,330</b>	69,121	67,232	65,244	68,943	73,339
<i>As a percentage of revenue .....</i>	<i>21.3</i>	22.0	22.6	22.6	24.8	26.7
Operating profit.....	<b>73,404</b>	72,172	66,031	64,231	54,167	38,901
<i>As a percentage of revenue .....</i>	<i>22.5</i>	23.1	22.2	22.3	19.4	14.2
Non-operating income.....	<b>7,942</b>	6,299	6,241	4,817	4,288	4,661
Non-operating expenses .....	<b>4,763</b>	7,506	6,052	6,892	4,942	4,671
Ordinary profit.....	<b>76,583</b>	70,964	66,219	62,156	53,513	38,891
<i>As a percentage of revenue .....</i>	<i>23.5</i>	22.7	22.2	21.5	19.2	14.2
Extraordinary profit.....	<b>1,246</b>	6,147	1,083	25,462	6,543	28,211
Extraordinary loss .....	<b>1,141</b>	5,615	5,915	29,860	7,535	38,712
Income before income taxes.....	<b>76,688</b>	71,496	61,388	57,758	52,521	28,390
<i>As a percentage of revenue .....</i>	<i>23.5</i>	22.8	20.6	20.0	18.9	10.3
Income taxes.....	<b>29,443</b>	27,617	23,684	23,475	21,736	11,441
<i>Effective tax rate.....</i>	<i>38.4</i>	38.6	38.6	40.6	41.4	40.3
Net income.....	<b>47,245</b>	43,879	37,704	34,282	30,784	16,948
<i>As a percentage of revenue .....</i>	<i>14.5</i>	14.0	12.7	11.9	11.0	6.2
<i>Percentage change from prior year.....</i>	<i>7.7</i>	16.4	10.0	11.4	81.6	(44.6)

# Corporate Information

(As of June 30, 2007)

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

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business
<b>Domestic</b>			
<b>&lt;Security services&gt;</b>			
Secom Joshinetsu Co., Ltd.	¥3,530	(50.9)%	Security services
Secom Hokuriku Co., Ltd.	201	59.1	Security services
Secom Yamanashi Co., Ltd.	15	70.0	Security services
Secom Mie Co., Ltd.	50	51.0	Security services
Secom Sanin Co., Ltd.	286	67.0	Security services
Secom Miyazaki Co., Ltd.	30	68.3	Security services
Secom Jastac Co., Ltd.	210	100.0	Security services
Secom Jastac Joshinetsu Co., Ltd.	40	(100.0)	Security services
Secom Jastac Hokuriku Co., Ltd.	10	(100.0)	Security services
Secom Jastac Miyazaki Co., Ltd.	10	(100.0)	Security services
Secom Jastac Akita Co., Ltd.	10	100.0	Security services
Secom Jastac Sanin Co., Ltd.	10	(100.0)	Security services
Secom Jastac Yamanashi Co., Ltd.	10	(100.0)	Security services
Secom Static Hokkaido Co., Ltd.	50	100.0	Security services
Secom Static Tohoku Co., Ltd.	50	100.0	Security services
Secom Static Nishi-Nihon Co., Ltd.	50	100.0	Security services
Secom Static Kansai Co., Ltd.	50	100.0	Security services
Secom Sado Co., Ltd.	24	(52.3)	Security services
JK. Siress Co., Ltd.	10	(100.0)	Security services
Japan Safety Guard Co., Ltd.	100	60.0	Security services
Meian Co., Ltd.	60	51.0	Security services
Secom Techno Service Co., Ltd.	2,358	(67.8)	Installation and maintenance of security equipment
Secom Tech Sanin Co., Ltd.	23	(52.2)	Installation of security equipment
Secom Techno Joshinetsu Co., Ltd.	20	(79.1)	Installation of security equipment
Secom Win Co., Ltd.	15	(66.7)	Installation of security equipment and facilities
Secom Maintenance Joshinetsu Co., Ltd.	10	(100.0)	Maintenance of equipment
TES Co., Ltd.	20	(100.0)	Maintenance of equipment
Secom Tohoku Enterprise Co., Ltd.	100	(100.0)	Design, construction and maintenance of facilities
Secom Industries Co., Ltd.	499	100.0	Manufacturing of security equipment
Otec Electronics Co., Ltd.	200	76.0	Manufacturing and sales of security systems
Secom Alpha Co., Ltd.	271	100.0	Sales of security and water-treatment equipment
Yanoshin Air Conditioning Co., Ltd.	80	(100.0)	Sales of air-conditioning equipment
Secom Mine Security Co., Ltd.	30	100.0	Security services
Social Rehabilitation Support Kitsuregawa Co., Ltd.	10	51.7	Operation of PFI correctional facilities
Secom Kitsuregawa Security Co., Ltd.	50	100.0	Security services

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

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business
<b>&lt;Fire Protection services&gt;</b>			
Nohmi Bosai Ltd.	¥13,302	(50.4)%	Manufacturing and sales of fire protection equipment and facilities
Nohmi Setsubi Co., Ltd.	30	(100.0)	Installation of fire protection equipment
Ichibou Co., Ltd.	28	(73.2)	Installation of fire protection equipment
Fukuoka Nohmi Co., Ltd.	20	(100.0)	Maintenance of fire protection equipment
Chiyoda Service Co., Ltd.	20	(70.0)	Building management
Bosai Engineering Corporation	40	(100.0)	Installation of fire protection equipment
Nohmi System Co., Ltd.	20	(100.0)	Maintenance of fire protection equipment
Iwate Nohmi Co., Ltd.	30	(100.0)	Installation of fire protection equipment
Tohoku Bosai Plant Co., Ltd.	12	(100.0)	Installation of fire protection equipment
Aomori Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Osaka Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Nissin Bohsai Co., Ltd.	50	(100.0)	Installation of fire protection equipment
Chiba Nohmi Co., Ltd.	10	(100.0)	Installation of fire protection equipment
Shikoku Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Nohmi Techno Engineering Co., Ltd.	40	(100.0)	Installation of environmental monitoring systems
Akita Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Kyushu Nohmi Engineering Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Fukushima Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Tohoku Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Nohmi Plant Niigata Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Hokkaido Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Yashima Bosai Setsubi Co., Ltd.	20	(72.3)	Installation of fire protection equipment and sales of fire protection equipment
<b>&lt;Medical services&gt;</b>			
Secom Medical System Co., Ltd.	200	100.0	Home health/nursing care and other medical-related services
Seisho Corporation	10	(100.0)	Maintenance of medical facilities
Koyu Co., Ltd.	10	(100.0)	Sales of medical and other supplies
Mac Corporation	95	(100.0)	Sales of medical equipment
Yoshikikaku Co., Ltd.	20	(100.0)	Operation of restaurants and shops at medical facilities
Kensei Co., Ltd.	100	(100.0)	Management of pharmacies
Ryomay Royal Life Co., Ltd.	210	86.5	Management of nursing homes
Alive Medicare Co., Ltd.	50	(100.0)	Management of nursing homes
Japan Life Plus Medical Co., Ltd.	10	(100.0)	Medical-related services
Secom Medical Resource Co., Ltd.	10	(100.0)	Medical staffing solutions
Secomfort Co., Ltd.	100	(100.0)	Management of nursing homes
Secomfort West Co., Ltd.	10	(100.0)	Management of nursing homes
US Chemical Co., Ltd.	3	(100.0)	Management of pharmacies
<b>&lt;Insurance services&gt;</b>			
Secom Insurance Service Co., Ltd.	225	(100.0)	Non-life insurance agency
Secom General Insurance Co., Ltd.	5,611	83.3	Non-life insurance

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

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business
<b>&lt;Geographic information services&gt;</b>			
Pasco Corporation	¥8,758	69.8%	Geographic information services
Pasco Road Center Co., Ltd.	50	(72.2)	Geographic information services
Urban Environmental Improvement Center Co., Ltd.	50	(95.0)	Geographic information services
GIS Hokkaido Co., Ltd.	190	(100.0)	Geographic information services
GIS Tohoku Co., Ltd.	50	(84.6)	Geographic information services
GIS Hokuriku Co., Ltd.	20	(100.0)	Geographic information services
GIS Kanto Co., Ltd.	40	(52.6)	Geographic information services
GIS Tokai Co., Ltd.	50	(100.0)	Geographic information services
GIS Kansai Co., Ltd.	50	(100.0)	Geographic information services
GIS Shikoku Co., Ltd.	30	(86.2)	Geographic information services
GIS Kyushu Co., Ltd.	50	(100.0)	Geographic information services
Tokyo Digital Map Co., Ltd.	10	(100.0)	Geographic information services
Pasco Space Mapping Technology Co., Ltd.	25	(100.0)	Geographic information services
Mid Map Tokyo Corporation	15	(60.0)	Geographic information services
<b>&lt;Information and communication related and other services&gt;</b>			
Secom Trust Systems Co., Ltd.	1,469	100.0	Information, communication, cyber security services and software development
Laboratory for Innovators of Quality of Life	100	(94.5)	Research and planning of social life
Japan Image Communications Co., Ltd.	487	95.3	Commissioned broadcasting service
Secom Home Life Co., Ltd.	3,700	99.9	Development of residential buildings
Arai & Co., Ltd.	3,000	(93.0)	Real estate leasing
Stappy, Inc.	5	100.0	Management of real estate
Arai Corporation, Inc.	10	(100.0)	Management of real estate
Secom Credit Co., Ltd.	400	100.0	Credit services
Secom Corporation	100	100.0	Printing services
Secom Auto Service Co., Ltd.	45	100.0	Car maintenance
Wonder Dream Co., Ltd.	490	100.0	Employee welfare for SECOM Group
Secom Staff Service Co., Ltd.	50	(100.0)	Employment agency
The Windsor Hotels International Co., Ltd.	165	90.0	Hotel management

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

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital	Percentage of equity/ voting rights	Lines of business
<b>Overseas</b>			
<b>&lt;Security services&gt;</b>			
Secom Plc	£39,126 thousand	100.0%	Security services
Security Direct Ltd.	£25 thousand	(100.0)	Security services
Secom (China) Co., Ltd.	¥5,550 million	100.0	Holding company
Dalian Secom Security Co., Ltd.	US\$2,000 thousand	(95.0)	Security services
Shanghai Secom Security Co., Ltd.	US\$3,500 thousand	(90.0)	Security services
Beijing Jingdun Secom Electronic Security Co., Ltd.	US\$2,500 thousand	(80.0)	Security services
Qingdao Secom Security Co., Ltd.	US\$1,000 thousand	(80.0)	Security services
Shenzhen Secom Security System Co., Ltd.	US\$2,000 thousand	(90.0)	Security services
Tianjin Secom Property Management Co., Ltd.	Rmb2,000 thousand	(60.0)	Provision of comprehensive building management services
P.T. Secom Indoprata	US\$3,950 thousand	94.9	Security services
Thaisecom Pitakkij Co., Ltd.	THB379 million	70.0	Security services
Secom Australia Pty. Ltd.	AUD7,822 thousand	100.0	Security services
Secom Vietnam Joint Venture Co.	US\$600 thousand	80.0	Security service-related consulting
<b>&lt;Other services&gt;</b>			
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd.	US\$14,300 thousand	(100.0)	Manufacturing and sales of fire protection equipment and facilities
P.T. Nusantara Secom InfoTech	US\$3,304 thousand	(100.0)	Geographic information services and software development
Pasco-Certeza Computer Mapping Corporation	PHP8,400 thousand	(70.0)	Geographic information services
Suzhou Super Dimension Earth Science Research and Development Co., Ltd.	Rmb1,000 thousand	(92.0)	Geographic information services
Pasco China Corporation	Rmb5,284 thousand	(100.0)	Geographic information services
Pasco (Thailand) Co., Ltd.	THB30,979 thousand	(100.0)	Geographic information services
FM-International Oy	EUR2,122 thousand	(100.0)	Geographic information services
Pasco North America Inc.	US\$171 thousand	(100.0)	Geographic information services
Pasco Geomatics India Pvt. Ltd.	INR5,575 thousand	(100.0)	Geographic information services
The Westec Security Group, Inc.	US\$0.3 thousand	100.0	Holding company
ClearLight Partners, LLC	US\$249,137 thousand	(99.7)	Investment
Asia Pacific Business Link Ltd.	US\$9,670 thousand	88.6	Holding company; housing-related business
Shanghai Asia Pacific Property Co., Ltd.	US\$5,000 thousand	(100.0)	Housing-related business
Gold Stone Investment Inc.	US\$3 thousand	(100.0)	Investment

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



# SECOM Group’s Basic Business Areas

SECOM offers a wide range of services and products that help provide peace of mind in today’s rapidly changing society.

### Security Services

#### Centralized Security Systems

##### Commercial Use:

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

##### Residential Use:

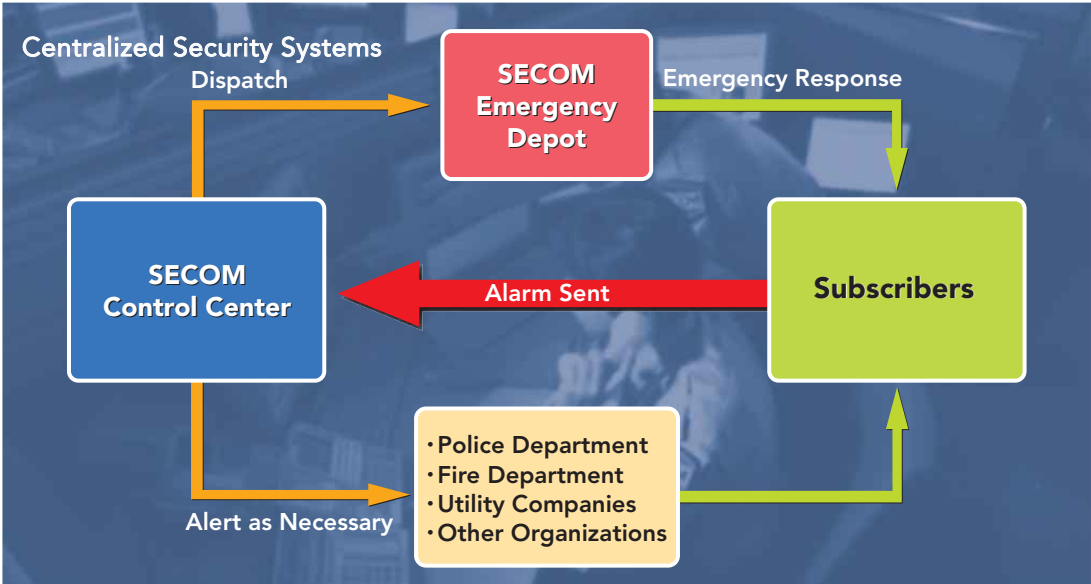
- **SECOM HOME SECURITY**  
SECOM Home Security is a comprehensive home security system combining basic intrusion- and fire-prevention services and emergency call services, as well as gas leak monitoring and medical emergency call service options. The system is linked around the clock with a SECOM control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

### Fire Protection Services

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

### Medical Services

- **HOME MEDICAL SERVICES**  
SECOM’s medical services for patients at home include pharmaceutical services, encompassing the preparation—in the SECOM Pharmacy cleanroom—and delivery of prescription pharmaceuticals, and home nursing services provided through visiting nurse stations. SECOM also provides consulting and support services for physicians opening home medical care clinics.



- through SECOM Medical Club. Subscribers in certain areas also have access to SECOM Home Service, a suite of lifestyle support services.
- **SECOM CONDOMINIUM SECURITY SYSTEMS**  
SECOM condominium security systems provide comprehensive building management functions for condominiums and total safety with a centralized security system for each unit in the building. SECOM MS-3, the top-of-the-line system, can be used for buildings of any size, either as a retrofit or a new installation.

#### Large-Scale Proprietary Security Systems

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

#### COCO-SECOM

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

#### Static Guard Services

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

#### Armored Car Services

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

### Insurance Services

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

### Geographic Information Services

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

### Merchandise

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

### Information and Communication Related and Other Services

- **SECURE DATA CENTER**  
The Secure Data Center provides a comprehensive service for e-business that combines SECOM’s expertise in both physical and cyber security.
- **SECOM DATA SAFE**  
SECOM Data Safe is a high-security computer server repository that combines advanced physical and cyber security.
- **DIGITAL AUTHENTICATION SERVICES**  
SECOM offers public key infrastructure (PKI) services that provide an effective means of establishing credibility among Internet users, including issuance of digital certificates and a set-up and operating service for organizations that wish to establish their own digital certificate authority.
- **NETWORK SECURITY MONITORING SERVICES**  
SECOM provides security and stability for clients’ IT systems around the clock. SECOM monitors and reports on threats to security, and on network operating status and network traffic.
- **DISASTER RESPONSE SERVICES**  
SECOM offers a variety of services, including SECOM Safety Confirmation Service, which helps commercial subscribers ascertain the safety of employees and collect and share information in the event of a major disaster, thereby assisting them to reopen for business as soon as possible.
- **SECOM FINE FOODS**  
SECOM Fine Foods is a line of quality food products marketed through mail order catalogs and the Internet.
- **REAL ESTATE DEVELOPMENT AND SALES**  
SECOM offers Glorio condominiums.

# Directors, Corporate Auditors and Executive Officers

## Directors



Makoto Iida  
*Founder*



Juichi Toda  
*Co-Founder*



Shohei Kimura  
*Chairman*



Kanemasa Haraguchi  
*President and Representative Director*



Seiichiro Kobayashi  
*Executive Director*



Katsuhisa Kuwahara  
*Executive Director*



Shuji Maeda  
*Executive Director*



Shinobu Iida  
*Executive Director*



Yasuo Nakayama  
*Executive Director*



Koichi Sato  
*Executive Director*



Fumio Obata  
*Director*



Takayuki Ito  
*Director*

## Corporate Auditors

Teruo Ogino  
Ken Tsunematsu  
Hiroshi Yasuda  
Kohei Yamashita

## Executive Officers

Kanemasa Haraguchi  
*President and Representative Director*  
  
Katsuo Akiyama  
*Senior Managing Executive Officer*  
  
Seiichiro Kobayashi  
*Executive Director*  
  
Katsuhisa Kuwahara  
*Executive Director*  
  
Shuji Maeda  
*Executive Director*

Shinobu Iida  
*Executive Director*  
  
Yasuo Nakayama  
*Executive Director*  
  
Koichi Sato  
*Executive Director*  
  
Yushiro Ito  
*Managing Executive Officer*  
  
Seiichi Mori  
*Managing Executive Officer*

Seiji Sakamoto  
*Managing Executive Officer*  
  
Fumio Obata  
*Director*  
  
Hiroshi Ito  
*Executive Officer*  
  
Shunji Ogahara  
*Executive Officer*  
  
Kiyomasa Sugii  
*Executive Officer*

Minoru Takaoka  
*Executive Officer*  
  
Yoshihiro Chino  
*Executive Officer*  
  
Mamoru Sasaki  
*Executive Officer*  
  
Tomoo Toya  
*Executive Officer*  
  
Hideo Morishita  
*Executive Officer*

Tsuneo Komatsuzaki  
*Executive Officer*  
  
Kazuaki Anzai  
*Executive Officer*  
  
Takayuki Ito  
*Director*  
  
Ryohei Komatsu  
*Executive Officer*

(As of July 31, 2007)