AUDITED FINANCIAL STATEMENTS

CONTENTS

CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries
March 31, 2008 and 2007

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31		March 31
ASSETS	**2008**	2007	**2008**
Current assets:			
Cash and cash equivalents (Note 5)	**¥ 214,577**	¥ 193,215	**$ 2,145,770**
Time deposits (Note 12)	**8,820**	7,194	**88,200**
Cash deposits (Note 6)	**63,697**	75,329	**636,970**
Short-term investments (Note 7)	**6,540**	14,892	**65,400**
Notes and accounts receivable, trade	**88,411**	85,971	**884,110**
Due from subscribers	**29,947**	27,963	**299,470**
Inventories (Notes 8 and 12)	**118,442**	98,337	**1,184,420**
Short-term receivables (Notes 12 and 20)	**17,871**	19,727	**178,710**
Allowance for doubtful accounts	**(1,827)**	(1,944)	**(18,270)**
Deferred insurance acquisition costs (Note 13)	**6,624**	5,695	**66,240**
Deferred income taxes (Note 16)	**17,395**	16,947	**173,950**
Other current assets	**10,041**	10,912	**100,410**
Total current assets	**580,538**	554,238	**5,805,380**
Investments and long-term receivables:			
Investment securities (Notes 7 and 12)	**196,688**	204,142	**1,966,880**
Investments in affiliated companies (Note 9)	**46,814**	38,832	**468,140**
Long-term receivables (Notes 12 and 20)	**70,265**	71,271	**702,650**
Lease deposits	**13,370**	13,457	**133,700**
Other investments	**11,290**	10,139	**112,900**
Allowance for doubtful accounts	**(8,826)**	(9,282)	**(88,260)**
	329,601	328,559	**3,296,010**
Property, plant and equipment (Notes 10, 12, 19 and 20):			
Land	**78,818**	77,273	**788,180**
Buildings and improvements	**143,661**	143,012	**1,436,610**
Security equipment and control stations	**244,933**	233,323	**2,449,330**
Machinery, equipment and automobiles	**71,945**	69,446	**719,450**
Construction in progress	**5,977**	5,261	**59,770**
	545,334	528,315	**5,453,340**
Accumulated depreciation	**(293,823)**	(277,810)	**(2,938,230)**
	251,511	250,505	**2,515,110**
Other assets:			
Deferred charges (Note 2 (12))	**46,151**	45,208	**461,510**
Goodwill (Note 11)	**16,141**	17,363	**161,410**
Other intangible assets (Notes 11 and 12)	**21,127**	23,419	**211,270**
Prepaid pension and severance costs (Note 14)	**9,135**	15,817	**91,350**
Deferred income taxes (Note 16)	**11,321**	6,073	**113,210**
	103,875	107,880	**1,038,750**
Total assets	**¥1,265,525**	¥1,241,182	**$12,655,250**

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31		March 31
	2008	2007	2008
Current liabilities:			
Bank loans (Notes 6 and 12)	¥ 133,056	¥ 126,964	$ 1,330,560
Current portion of long-term debt (Notes 12 and 19)	9,061	10,044	90,610
Notes and accounts payable, trade	30,956	28,892	309,560
Other payables	29,058	29,903	290,580
Deposits received (Note 6)	36,667	50,689	366,670
Deferred revenue	43,496	42,555	434,960
Accrued income taxes	24,693	25,023	246,930
Accrued payrolls	22,572	19,047	225,720
Other current liabilities (Note 16)	17,668	14,993	176,680
Total current liabilities	347,227	348,110	3,472,270
Long-term debt (Notes 12 and 19)	44,183	40,153	441,830
Guarantee deposits received	30,581	30,210	305,810
Accrued pension and severance costs (Note 14)	18,419	18,446	184,190
Deferred revenue	22,283	21,716	222,830
Unearned premiums and other insurance liabilities (Note 13)	63,205	58,266	632,050
Investment deposits by policyholders (Note 13)	87,252	93,361	872,520
Deferred income taxes (Note 16)	10,075	12,635	100,750
Other liabilities	5,235	5,242	52,350
Total liabilities	628,460	628,139	6,284,600
Minority interests in subsidiaries	62,511	61,311	625,110
Commitments and contingent liabilities (Note 23)			
Shareholders' equity (Note 17):			
Common stock:			
Authorized 900,000,000 shares;			
issued 233,288,717 shares in 2008 and 2007	66,378	66,378	663,780
Additional paid-in capital	79,998	79,998	799,980
Legal reserve	10,020	9,923	100,200
Retained earnings	471,066	428,850	4,710,660
Accumulated other comprehensive income (loss):			
Unrealized gains (losses) on securities (Note 7)	(3,137)	8,101	(31,370)
Unrealized losses on derivative instruments (Note 22)	(94)	(53)	(940)
Pension liability adjustments (Note 14)	(4,726)	1,272	(47,260)
Foreign currency translation adjustments	(74)	2,113	(740)
	(8,031)	11,433	(80,310)
Common stock in treasury, at cost:			
8,323,599 shares in 2008 and 8,318,900 shares in 2007	(44,877)	(44,850)	(448,770)
Total shareholders' equity	574,554	551,732	5,745,540
Total liabilities and shareholders' equity	¥1,265,525	¥1,241,182	$12,655,250

CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2008

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2008	2007	2006	**2008**
Net sales and operating revenue	**¥706,695**	¥636,678	¥580,526	**$7,066,950**
Costs and expenses:				
Cost of sales	**454,165**	410,275	364,932	**4,541,650**
Selling, general and administrative expense (Notes 2 (18) and 18)	**144,782**	127,062	128,077	**1,447,820**
Impairment loss on long-lived assets (Note 10)	**16**	1,176	821	**160**
Impairment loss on goodwill (Note 11)	**1,128**	2,966	149	**11,280**
Loss on sales and disposal of property, plant and equipment, net	**976**	781	2,164	**9,760**
Settlement loss of benefit obligation on transfer to defined contribution pension plan (Note 14)	**—**	—	2,490	**—**
	601,067	542,260	498,633	**6,010,670**
Operating income	**105,628**	94,418	81,893	**1,056,280**
Other income:				
Interest and dividends	**2,969**	2,993	2,209	**29,690**
Gain on sales of securities, net (Notes 7 and 9)	**2,020**	1,772	10,044	**20,200**
Gain on private equity investments	**4,070**	—	—	**40,700**
Other (Note 15)	**3,952**	3,672	3,683	**39,520**
	13,011	8,437	15,936	**130,110**
Other expenses:				
Interest	**2,094**	1,815	1,877	**20,940**
Loss on other-than-temporary impairment of investment securities	**1,912**	1,026	2,263	**19,120**
Other (Note 15)	**4,370**	4,678	3,961	**43,700**
	8,376	7,519	8,101	**83,760**
Income before income taxes	**110,263**	95,336	89,728	**1,102,630**
Income taxes (Note 16):				
Current	**42,769**	40,136	34,931	**427,690**
Deferred	**4,337**	430	2,973	**43,370**
	47,106	40,566	37,904	**471,060**
Income before minority interests in subsidiaries and equity in net income of affiliated companies	**63,157**	54,770	51,824	**631,570**
Minority interests in subsidiaries	**(6,639)**	(4,649)	(3,927)	**(66,390)**
Equity in net income of affiliated companies	**5,238**	5,768	3,298	**52,380**
Income before cumulative effect of accounting change	**61,756**	55,889	51,195	**617,560**
Cumulative effect of accounting change, net of tax (Note 2 (11))	**—**	—	(864)	**—**
Net income	**¥ 61,756**	¥ 55,889	¥ 50,331	**$ 617,560**

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2008	2007	2006	**2008**
Per share data (Note 2 (20)):				
Income before cumulative effect of accounting change— —Basic	**¥274.51**	¥248.42	¥227.53	**$2.75**
Cumulative effect of accounting change— —Basic	**—**	—	(3.84)	**—**
Net income— —Basic	**274.51**	248.42	223.69	**2.75**
Cash dividends per share	**¥ 80.00**	¥ 60.00	¥ 50.00	**$0.80**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2008

In millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total
Balance, March 31, 2005	233,288,717	¥66,378	¥79,996	¥ 9,787	¥347,516	(¥ 1,282)	(¥44,558)	¥457,837
Comprehensive income:								
Net income	—	—	—	—	50,331	—	—	50,331
Other comprehensive income (loss), net of tax (Note 17):								
Unrealized gains on securities—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	8,896	—	8,896
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	(3,356)	—	(3,356)
Unrealized gains on derivative instruments—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	97	—	97
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	18	—	18
Minimum pension liability adjustments	—	—	—	—	—	(30)	—	(30)
Foreign currency translation adjustments	—	—	—	—	—	6,346	—	6,346
Total comprehensive income								62,302
Cash dividends	—	—	—	—	(11,251)	—	—	(11,251)
Transfer to legal reserve	—	—	—	38	(38)	—	—	—
Net changes in treasury stock	—	—	—	—	—	—	(192)	(192)
Balance, March 31, 2006	233,288,717	66,378	79,996	9,825	386,558	10,689	(44,750)	508,696
Comprehensive income:								
Net income	—	—	—	—	55,889	—	—	55,889
Other comprehensive income (loss), net of tax (Note 17):								
Unrealized gains on securities—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	(1,562)	—	(1,562)
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	(1,464)	—	(1,464)
Unrealized losses on derivative instruments—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	(113)	—	(113)
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	30	—	30
Minimum pension liability adjustments	—	—	—	—	—	(21)	—	(21)
Foreign currency translation adjustments	—	—	—	—	—	2,193	—	2,193
Total comprehensive income								54,952
Adjustments for initially applying SFAS No. 158, net of tax (Note 14)	—	—	—	—	—	1,681	—	1,681
Cash dividends	—	—	—	—	(13,499)	—	—	(13,499)
Transfer to legal reserve	—	—	—	98	(98)	—	—	—
Gain on disposal of treasury stock	—	—	2	—	—	—	—	2
Net changes in treasury stock	—	—	—	—	—	—	(100)	(100)
Balance, March 31, 2007	233,288,717	66,378	79,998	9,923	428,850	11,433	(44,850)	551,732
Cumulative effect of a change in accounting principle-adoption of EITF 06-2, net of tax (Note 2 (22))	**—**	**—**	**—**	**—**	**(1,227)**	**—**	**—**	**(1,227)**
Comprehensive income:								
Net income	**—**	**—**	**—**	**—**	**61,756**	**—**	**—**	**61,756**
Other comprehensive income (loss), net of tax (Note 17):								
Unrealized losses on securities—								
Unrealized holding gains or losses arising during the period	**—**	**—**	**—**	**—**	**—**	**(11,034)**	**—**	**(11,034)**
Less: Reclassification adjustment for gains or losses included in net income	**—**	**—**	**—**	**—**	**—**	**(204)**	**—**	**(204)**
Unrealized losses on derivative instruments—								
Unrealized gains or losses arising during the period	**—**	**—**	**—**	**—**	**—**	**(54)**	**—**	**(54)**
Less: Reclassification adjustment for gains or losses included in net income	**—**	**—**	**—**	**—**	**—**	**13**	**—**	**13**
Pension liability adjustments—								
Unrealized gains or losses arising during the period	**—**	**—**	**—**	**—**	**—**	**(5,564)**	**—**	**(5,564)**
Less: Reclassification adjustment for gains or losses realized in net income	**—**	**—**	**—**	**—**	**—**	**(434)**	**—**	**(434)**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(2,187)**	**—**	**(2,187)**
Total comprehensive income								**42,292**
Cash dividends	**—**	**—**	**—**	**—**	**(17,998)**	**—**	**—**	**(17,998)**
Changes in scope of consolidation	**—**	**—**	**—**	**—**	**(218)**	**—**	**—**	**(218)**
Transfer to legal reserve	**—**	**—**	**—**	**97**	**(97)**	**—**	**—**	**—**
Gains and losses on disposal of treasury stock	**—**	**—**	**0**	**—**	**—**	**—**	**—**	**0**
Net changes in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(27)**	**(27)**
Balance, March 31, 2008	**233,288,717**	**¥66,378**	**¥79,998**	**¥10,020**	**¥471,066**	**(¥ 8,031)**	**(¥44,877)**	**¥574,554**

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

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total
Balance, March 31, 2007	$663,780	$799,980	$ 99,230	$4,288,500	$114,330	($448,500)	$5,517,320
Cumulative effect of a change in accounting principle-adoption of EITF 06-2, net of tax (Note 2 (22))	**—**	**—**	**—**	**(12,270)**	**—**	**—**	**(12,270)**
Comprehensive income:							
Net income	**—**	**—**	**—**	**617,560**	**—**	**—**	**617,560**
Other comprehensive income (loss), net of tax (Note 17):							
Unrealized losses on securities—							
Unrealized holding gains or losses arising during the period	**—**	**—**	**—**	**—**	**(110,340)**	**—**	**(110,340)**
Less: Reclassification adjustment for gains or losses included in net income	**—**	**—**	**—**	**—**	**(2,040)**	**—**	**(2,040)**
Unrealized losses on derivative instruments—							
Unrealized gains or losses arising during the period	**—**	**—**	**—**	**—**	**(540)**	**—**	**(540)**
Less: Reclassification adjustment for gains or losses included in net income	**—**	**—**	**—**	**—**	**130**	**—**	**130**
Pension liability adjustments—							
Unrealized gains or losses arising during the period	**—**	**—**	**—**	**—**	**(55,640)**	**—**	**(55,640)**
Less: Reclassification adjustment for gains or losses realized in net income	**—**	**—**	**—**	**—**	**(4,340)**	**—**	**(4,340)**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**(21,870)**	**—**	**(21,870)**
Total comprehensive income							**422,920**
Cash dividends	**—**	**—**	**—**	**(179,980)**	**—**	**—**	**(179,980)**
Changes in scope of consolidation	**—**	**—**	**—**	**(2,180)**	**—**	**—**	**(2,180)**
Transfer to legal reserve	**—**	**—**	**970**	**(970)**	**—**	**—**	**—**
Gains and losses on disposal of treasury stock	**—**	**0**	**—**	**—**	**—**	**—**	**0**
Net changes in treasury stock	**—**	**—**	**—**	**—**	**—**	**(270)**	**(270)**
Balance, March 31, 2008	**$663,780**	**$799,980**	**$100,200**	**$4,710,660**	**($ 80,310)**	**($448,770)**	**$5,745,540**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2008

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2008	2007	2006	**2008**
Cash flows from operating activities:				
Net income	**¥ 61,756**	¥ 55,889	¥ 50,331	**$ 617,560**
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization, including amortization of deferred charges	**58,194**	58,248	52,339	**581,940**
Accrual for pension and severance costs, less payments	**(4,083)**	(2,972)	(3,209)	**(40,830)**
Settlement loss of benefit obligation on transfer to defined contribution pension plan (Note 14)	**—**	—	2,490	**—**
Deferred income taxes	**4,337**	430	2,973	**43,370**
Loss on sales and disposal of property, plant and equipment, net	**976**	781	2,164	**9,760**
Impairment loss on long-lived assets (Note 10)	**16**	1,176	821	**160**
Impairment loss on goodwill (Note 11)	**1,128**	2,966	149	**11,280**
Gain on sales of securities, net	**(4,593)**	(5,715)	(14,514)	**(45,930)**
Gain on private equity investments	**(4,070)**	—	—	**(40,700)**
Loss on liquidation of subsidiaries	**485**	—	—	**4,850**
Loss on other-than-temporary impairment of investment securities	**2,562**	1,357	3,444	**25,620**
Equity in net income of affiliated companies	**(5,238)**	(5,768)	(3,298)	**(52,380)**
Minority interests in subsidiaries	**6,639**	4,649	3,927	**66,390**
Cumulative effect of accounting change, net of tax (Note 2 (11))	**—**	—	864	**—**
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits	**11,632**	(10,142)	(4,381)	**116,320**
Increase in receivables and due from subscribers, net of allowances	**(4,766)**	(13,798)	(668)	**(47,660)**
Increase in inventories	**(19,267)**	(17,264)	(24,146)	**(192,670)**
Increase in deferred charges	**(16,336)**	(18,267)	(16,804)	**(163,360)**
Increase (decrease) in deposits received	**(14,023)**	9,022	4,175	**(140,230)**
Increase in deferred revenue	**1,468**	2,137	3,804	**14,680**
Increase (decrease) in accrued income taxes	**(332)**	1,697	5,590	**(3,320)**
Increase (decrease) in guarantee deposits received	**329**	2,318	(20)	**3,290**
Increase in unearned premiums and other insurance liabilities	**4,939**	4,936	6,878	**49,390**
Other, net	**10,820**	(3,794)	5,552	**108,200**
Net cash provided by operating activities	**92,573**	67,886	78,461	**925,730**
Cash flows from investing activities:				
(Increase) decrease in time deposits	**(1,612)**	(2,425)	101	**(16,120)**
Proceeds from sales of property, plant and equipment	**4,277**	3,919	10,995	**42,770**
Payments for purchases of property, plant and equipment	**(45,332)**	(46,378)	(44,272)	**(453,320)**
Proceeds from sales of investment securities	**87,439**	132,923	99,889	**874,390**
Payments for purchases of investment securities	**(99,262)**	(103,242)	(68,597)	**(992,620)**
Decrease in short-term investments	**6,397**	32,548	868	**63,970**
Acquisitions, net of cash acquired (Note 4)	**(317)**	4,648	(1,190)	**(3,170)**
Payments for investments in affiliated companies (Note 9)	**(1,741)**	(5,158)	—	**(17,410)**
(Increase) decrease in short-term receivables, net	**(1,207)**	(474)	3,065	**(12,070)**
Payments for long-term receivables	**(3,773)**	(6,898)	(11,338)	**(37,730)**
Proceeds from long-term receivables	**6,581**	15,740	18,365	**65,810**
Other, net	**(3,557)**	(3,167)	(4,030)	**(35,570)**
Net cash provided by (used in) investing activities	**(52,107)**	22,036	3,856	**(521,070)**
Cash flows from financing activities:				
Proceeds from long-term debt	**12,955**	12,154	10,575	**129,550**
Repayments of long-term debt	**(12,792)**	(52,269)	(11,400)	**(127,920)**
Increase in bank loans, net	**6,075**	20,687	4,387	**60,750**
Decrease in investment deposits by policyholders	**(6,109)**	(94,424)	(39,934)	**(61,090)**
Dividends paid	**(17,998)**	(13,499)	(11,251)	**(179,980)**
Increase in treasury stock, net	**(27)**	(100)	(192)	**(270)**
Other, net	**(1,430)**	(920)	(940)	**(14,300)**
Net cash used in financing activities	**(19,326)**	(128,371)	(48,755)	**(193,260)**
Effect of exchange rate changes on cash and cash equivalents	**222**	620	470	**2,220**
Net increase (decrease) in cash and cash equivalents	**21,362**	(37,829)	34,032	**213,620**
Cash and cash equivalents at beginning of year	**193,215**	231,044	197,012	**1,932,150**
Cash and cash equivalents at end of year	**¥214,577**	¥193,215	¥231,044	**$2,145,770**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2008

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 geographic information system ("GIS") and surveying and measuring technology; information and communication related services, including information 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 accounting principles generally accepted in the United States of America. 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 the 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 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 year ended March 31, 2006 has not been disclosed based on materiality considerations.

Total assets held by VIEs to which the Company is the primary beneficiary were ¥17,284 million ($172,840 thousand) and ¥18,405 million at March 31, 2008 and 2007, respectively. Total assets held by VIEs to which the Company holds significant variable interests but is not the primary beneficiary at March 31, 2008 and 2007 were ¥45,889 million ($458,890 thousand) and ¥44,105 million, respectively. The Company's maximum exposure to losses related to VIEs at March 31, 2008 and 2007 were ¥9,164 million ($91,640 thousand) and ¥10,302 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, 2008.

(3) Revenue Recognition

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

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

The Company enters into arrangements with multiple elements, which may include any combination of security equipment, installation and security service. The Company allocates revenue to each element based on its relative fair value if such element meets criteria for treatment as a separate unit of accounting as prescribed in 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.

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.

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

(4) Foreign Currency Translation

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

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

(5) Cash Equivalents

For the purpose of the 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) Private Equity Investments

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

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

(8) Inventories

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

(9) Allowance for Doubtful Accounts

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

(10) Deferred Insurance Acquisition Costs

Costs that vary with and are primarily related to acquiring new insurance policies are deferred and 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.

(11) 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 ¥37,241 million ($372,410 thousand), ¥38,719 million and ¥33,042 million for the years ended March 31, 2008, 2007 and 2006, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

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

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.

(12) 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 ¥14,953 million ($149,530 thousand), ¥14,474 million and ¥14,045 million for the years ended March 31, 2008, 2007 and 2006, respectively.

(13) 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.

(14) Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over the 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.

(15) Unearned Premiums and Other Insurance Liabilities

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

(16) Income Taxes

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

On April 1, 2007, the Company adopted FIN No. 48, "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109," which requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return.

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

(17) Research and Development

Research and development costs are charged to income as incurred.

(18) 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, 2008, 2007 and 2006 were ¥5,996 million ($59,960 thousand), ¥5,348 million and ¥6,746 million, respectively.

(19) 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 offsetting 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.

(20) Per Share Data

Basic Earnings per Share ("EPS") is computed based on the average number of shares of common stock outstanding for the period. The average number of shares of common stock outstanding for the years ended March 31, 2008, 2007 and 2006 was 224,967 thousand shares, 224,974 thousand shares and 225,002 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2008, 2007 or 2006.

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, other 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 June 2006, the FASB ratified the EITF consensus on EITF Issue No. 06-2 ("EITF 06-2"), "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43." EITF 06-2 provides guidance for an accrual of compensated absences that require a minimum service period but have no increase in the benefit even with additional years of service. EITF 06-2 is effective for fiscal years beginning after December 15, 2006 and was adopted by the Company in the fiscal year beginning April 1, 2007. Accordingly, the Company recorded an increase in the beginning balance of accrued payrolls of ¥2,265 million ($22,650 thousand) and an increase in the beginning balance of deferred income taxes (Other assets) of ¥846 million ($8,460 thousand) as of April 1, 2007, with a decrease in the beginning balance of retained earnings of ¥1,227 million ($12,270 thousand).

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 is effective for fiscal years beginning after November 15, 2007, and is required to be adopted by the Company in the fiscal year beginning April 1, 2008. In February 2008, the FASB issued Staff Positions ("FSP") No. FAS 157-1, "Application of FASB Statement No. 157 to FASB to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" and No. FAS 157-2, "Effective Date of FASB Statement No. 157," which delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) and remove certain leasing transactions from its scope. It is not anticipated that the adoption will have a material impact on the Company's consolidated results of operations or financial position.

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 are recognized in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, and is required to be adopted by the Company in the fiscal year beginning April 1, 2008. It is not anticipated that the adoption will have a material impact on the Company's consolidated results of operations or financial position.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations." SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008 and is required to be adopted by the Company in the fiscal year beginning April 1, 2009. The Company is currently evaluating the effect of adopting SFAS No. 141(R) on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51." SFAS No. 160 requires that the noncontrolling interest in the equity of a subsidiary be accounted for and reported as equity, provides revised guidance on the treatment of net income and losses attributable to the noncontrolling interest and changes in ownership interests in a subsidiary. SFAS No. 160 also requires additional disclosures that identify and distinguish between the interests of the controlling and noncontrolling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008 and is required to be adopted by the Company in the fiscal year beginning April 1, 2009. The Company is currently evaluating the effect of adopting SFAS No. 160 on its consolidated financial statements.

(23) Reclassifications

The accompanying consolidated financial statements for the years ended March 31, 2007 and 2006 have been reclassified to conform to the presentation used for the year ended March 31, 2008.

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 ¥100=US$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2008. 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. 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 for an aggregate amount of ¥14,060 million. Nohmi Bosai operates automatic fire alarms, fire extinguishing and other fire protection systems. 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, which represents a 5.6 percent 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
Cash and cash equivalents	¥17,513
Receivables and other current assets	41,991
Investments and long-term receivables	9,015
Property, plant and equipment	5,973
Intangible assets	4,769
Total assets acquired	79,261
Current liabilities	27,001
Other liabilities	7,757
Total liabilities assumed	34,758
Minority interests in subsidiaries	124
Net assets acquired	¥44,379

Substantially all of the trademarks (including trade names) assigned for ¥1,879 million out of total intangible assets acquired for ¥4,769 million are not subject to amortization. ¥2,890 million of acquired intangible assets were 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 with a 20-year weighted-average useful life.

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

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

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

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.

5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2008 and 2007 were comprised as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2008	2007	**2008**
Cash	**¥149,874**	¥140,849	**$1,498,740**
Time deposits	**42,936**	34,087	**429,360**
Call loan	**19,000**	15,000	**190,000**
Investment securities	**2,767**	3,279	**27,670**
	¥214,577	¥193,215	**$2,145,770**

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.

6. Cash Deposits

The Company operates cash collection and deposit services for financial institutions relating to cash dispensers located outside of financial institution facilities and also operates cash collection service for entities other than financial institutions. Cash deposit balances of ¥63,697 million ($636,970 thousand) and ¥75,329 million at March 31, 2008 and 2007, 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 ¥30,402 million ($304,020 thousand) and ¥32,619 million ($326,190 thousand), respectively, at March 31, 2008, and ¥27,668 million and ¥47,166 million, respectively, at March 31, 2007. As part of its fee arrangement, the Company is reimbursed for the interest cost of the related overdrafts.

7. Short-Term Investments and Investment Securities

Short-term investments (current) and investment securities (non-current) include debt and equity securities. The related aggregate fair value, gross unrealized gains, gross unrealized losses and cost pertaining to "available-for-sale" and "held-to-maturity" investments at March 31, 2008 and 2007 were as follows:

	In millions of yen			
	March 31, 2008			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities	**¥ 5,051**	**¥ 1**	**¥ 115**	**¥ 4,937**
Held-to-maturity:				
Debt securities	**1,603**	**0**	**0**	**1,603**
	¥ 6,654	**¥ 1**	**¥ 115**	**¥ 6,540**
Investment securities:				
Available-for-sale:				
Equity securities	**¥ 62,195**	**¥5,051**	**¥ 8,485**	**¥ 58,761**
Debt securities	**85,426**	**918**	**1,962**	**84,382**
Held-to-maturity:				
Debt securities	**8,242**	**1**	**348**	**7,895**
	¥155,863	**¥5,970**	**¥10,795**	**¥151,038**

	In millions of yen			
	March 31, 2007			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities	¥ 14,829	¥ 1	¥ 51	¥ 14,779
Held-to-maturity:				
Debt securities	113	—	—	113
	¥ 14,942	¥ 1	¥ 51	¥ 14,892
Investment securities:				
Available-for-sale:				
Equity securities	¥ 60,394	¥19,798	¥3,065	¥ 77,127
Debt securities	88,344	922	1,015	88,251
Held-to-maturity:				
Debt securities	3,413	—	20	3,393
	¥152,151	¥20,720	¥4,100	¥168,771

	In thousands of U.S. dollars			
	March 31, 2008			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities	**$ 50,510**	**$ 10**	**$ 1,150**	**$ 49,370**
Held-to-maturity:				
Debt securities	**16,030**	**0**	**0**	**16,030**
	$ 66,540	**$ 10**	**$ 1,150**	**$ 65,400**
Investment securities:				
Available-for-sale:				
Equity securities	**$ 621,950**	**$50,510**	**$ 84,850**	**$ 587,610**
Debt securities	**854,260**	**9,180**	**19,620**	**843,820**
Held-to-maturity:				
Debt securities	**82,420**	**10**	**3,480**	**78,950**
	$1,558,630	**$59,700**	**$107,950**	**$1,510,380**

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, 2008 were as follows:

	In millions of yen			
	March 31, 2008			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities	¥31,795	¥7,416	¥ 3,476	¥1,069
Debt securities	19,194	1,141	25,996	936
Total	¥50,989	¥8,557	¥29,472	¥2,005
Held-to-maturity:				
Debt securities	¥ 1,175	¥ 325	¥ 2,794	¥ 23

	In thousands of U.S. dollars			
	March 31, 2008			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities	$317,950	$74,160	$ 34,760	$10,690
Debt securities	191,940	11,410	259,960	9,360
Total	$509,890	$85,570	$294,720	$20,050
Held-to-maturity:				
Debt securities	$ 11,750	$ 3,250	$ 27,940	$ 230

Based on relevant factors, the Company has determined that these investments are not considered other-than-temporary impaired at March 31, 2008.

At March 31, 2008, 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, 2008 are as follows:

	In millions of yen			
	March 31, 2008			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	¥ 5,051	¥ 4,937	¥1,603	¥1,603
Due after 1 year through 5 years	42,123	41,897	1,492	1,493
Due after 5 years through 10 years	36,440	36,129	40	40
Due after 10 years	6,863	6,356	6,710	6,362
	¥90,477	¥89,319	¥9,845	¥9,498

	In thousands of U.S. dollars			
	March 31, 2008			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	$ 50,510	$ 49,370	$16,030	$16,030
Due after 1 year through 5 years	421,230	418,970	14,920	14,930
Due after 5 years through 10 years	364,400	361,290	400	400
Due after 10 years	68,630	63,560	67,100	63,620
	$904,770	$893,190	$98,450	$94,980

During the years ended March 31, 2008, 2007 and 2006, the net unrealized gains on "available-for-sale" securities included as part of other comprehensive income (loss), net of tax, decreased by ¥11,238 million ($112,380 thousand) and ¥3,026 million and increased by ¥5,541 million, respectively.

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2008, 2007 and 2006 were ¥106,925 million ($1,069,250 thousand), ¥109,405 million and ¥74,869 million, respectively. On those sales, the gross realized gains and gross realized losses, using moving-average cost basis, for the years ended March 31, 2008, 2007 and 2006 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	2008
Gross realized gains	¥3,005	¥4,076	¥5,716	$30,050
Gross realized losses	623	295	74	6,230

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 ¥45,303 million ($453,030 thousand) and ¥35,351 million at March 31, 2008 and 2007, respectively. The corresponding fair value at that date was not computed as such estimation was not practicable.

8. Inventories

Inventories at March 31, 2008 and 2007 comprised the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Security-related products	¥ 7,732	¥ 7,603	$ 77,320
Fire protection-related products	13,747	13,599	137,470
Real estate	91,182	72,218	911,820
Information and other-related products	5,781	4,917	57,810
	¥118,442	¥98,337	$1,184,420

Work in process for real estate inventories at March 31, 2008 and 2007, amounting to ¥73,312 million ($733,120 thousand) and ¥64,257 million, respectively, are included in real estate.

9. 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 27.3 percent owned affiliate, which is listed on the Korea Stock Exchange; Toyo Tech Co., Ltd., a 27.8 percent owned affiliate acquired—amounting to ¥5,146 million—in December 2006, which is listed on the Second Section of the Osaka Securities Exchange; and Tokyo Biso Kogyo Corporation, a 36.6 percent owned new affiliate by additionally acquiring ¥1,740 million ($17,400 thousand)—equivalent to 16.6 percent of total outstanding common stocks—in May 2007 and March 2008, which is listed on the Second Section of the Tokyo Stock 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 held 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 4.)

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
	2008	2007	2008
Current assets	¥ 96,089	¥ 78,568	$ 960,890
Non-current assets	134,467	121,889	1,344,670
Total assets	¥230,556	¥200,457	$2,305,560
Current liabilities	¥ 48,212	¥ 40,444	$ 482,120
Non-current liabilities	36,846	37,559	368,460
Shareholders' equity	145,498	122,454	1,454,980
Total liabilities and shareholders' equity	¥230,556	¥200,457	$2,305,560

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	2008
Net sales	¥202,335	¥196,486	¥213,967	$2,023,350
Gross profit	¥ 64,213	¥ 67,315	¥ 71,863	$ 642,130
Net income	¥ 22,576	¥ 18,851	¥ 15,371	$ 225,760

Dividends received from affiliated companies for the years ended March 31, 2008, 2007 and 2006 were ¥2,657 million ($26,570 thousand), ¥2,193 million and ¥2,068 million, respectively.

Four listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥37,035 million ($370,350 thousand) and ¥29,652 million at March 31, 2008 and 2007, respectively, had a quoted market value of ¥80,984 million ($809,840 thousand) and ¥71,917 million at March 31, 2008 and 2007, respectively.

The amounts of goodwill were ¥2,863 million ($28,630 thousand) and ¥2,851 million at March 31, 2008 and 2007, 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. The sales resulted in a gain of ¥855 million.

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
	2008	2007	2006	2008
Sales	¥2,447	¥1,843	¥1,926	$24,470
Purchases	¥1,734	¥3,777	¥6,077	$17,340

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Notes and accounts receivable, trade	¥509	¥811	$5,090
Loans receivable	¥ 98	¥100	$ 980
Notes and accounts payable	¥331	¥205	$3,310
Guarantees for bank loans	¥ 10	¥ 9	$ 100

The Company's equity in undistributed income of affiliates at March 31, 2008 and 2007 included in retained earnings was ¥15,818 million ($158,180 thousand) and ¥13,925 million, respectively.

10. 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 and idle properties for the year ended March 31, 2006. 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, 2008, 2007 and 2006 was as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	2008
Security services	¥—	¥ —	¥ 63	$ —
Fire protection services	16	32	—	160
Medical services	0	1,134	—	0
Insurance services	—	—	—	—
Geographic information services	—	10	—	—
Information and communication related and other services	—	—	59	—
Corporate items	—	—	699	—
Total	¥16	¥1,176	¥821	$160

11. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2008 and 2007 were as follows:

	In millions of yen		
	March 31, 2008		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	¥30,055	(¥16,488)	¥13,567
Other	4,911	(1,764)	3,147
Total	¥34,966	(¥18,252)	¥16,714
Unamortized intangible assets	¥ 4,413	¥ —	¥ 4,413

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

	In thousands of U.S. dollars		
	March 31, 2008		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	$300,550	($164,880)	$135,670
Other	49,110	(17,640)	31,470
Total	$349,660	($182,520)	$167,140
Unamortized intangible assets	$ 44,130	$ —	$ 44,130

The net carrying amount of amortized and unamortized intangible assets acquired in a purchase business combination in December 2006 were ¥2,841 million and ¥1,879 million, respectively, at March 31, 2007.

Aggregate amortization expense for the years ended March 31, 2008, 2007 and 2006 was ¥5,999 million ($59,990 thousand), ¥5,055 million and ¥5,251 million, respectively. Amortized intangible assets are amortized using the straight-line method over the estimated useful lives. The weighted average amortization period for internal use software is approximately five years.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2009	¥5,396	$53,960
2010	3,742	37,420
2011	2,942	29,420
2012	2,502	25,020
2013	891	8,910

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2008 and 2007 were as follows:

	In millions of yen				
	Security services	Medical services	Geographic information services	Information and communication related and other services	Total
March 31, 2006	¥1,302	¥9,383	¥3,771	¥5,877	¥20,333
Goodwill acquired during the year	—	—	4	—	4
Disposal	—	—	—	(163)	(163)
Impairment losses	—	(2,336)	(152)	(478)	(2,966)
Translation adjustment	155	—	—	—	155
March 31, 2007	1,457	7,047	3,623	5,236	17,363
Goodwill acquired during the year	117	—	—	—	117
Disposal	—	—	(1)	(180)	(181)
Impairment losses	(117)	(876)	—	(135)	(1,128)
Translation adjustment	(30)	—	—	—	(30)
March 31, 2008	¥1,427	¥6,171	¥3,622	¥4,921	¥16,141

	In thousands of U.S. dollars				
	Security services	Medical services	Geographic information services	Information and communication related and other services	Total
March 31, 2007	$14,570	$70,470	$36,230	$52,360	$173,630
Goodwill acquired during the year	**1,170**	**—**	**—**	**—**	**1,170**
Disposal	**—**	**—**	**(10)**	**(1,800)**	**(1,810)**
Impairment losses	**(1,170)**	**(8,760)**	**—**	**(1,350)**	**(11,280)**
Translation adjustment	**(300)**	**—**	**—**	**—**	**(300)**
March 31, 2008	**$14,270**	**$61,710**	**$36,220**	**$49,210**	**$161,410**

The Company principally recognized impairment losses related to goodwill allocated to the reporting units in the medical services segment of ¥876 million ($8,760 thousand) and ¥2,336 million for the year ended March 31, 2008 and 2007, respectively, due to decreases in the estimated fair value of these reporting units mainly caused by decreases of expected cash flows.

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

12. Bank Loans and Long-Term Debt

Bank loans of ¥133,056 million ($1,330,560 thousand) and ¥126,964 million at March 31, 2008 and 2007, respectively, are generally comprised of 30 to 365 day notes. Their weighted average interest rates were 1.37 percent and 1.27 percent at March 31, 2008 and 2007, 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, 2008, Pasco Corporation ("PASCO") and Nohmi Bosai, subsidiaries of the parent company, had unused committed lines of credit from short-term arrangements aggregating ¥5,500 million ($55,000 thousand) and ¥4,000 million ($40,000 thousand), respectively. The lines of credit expire in July 2008 and March 2010, respectively. PASCO uses these lines of credit as a backup and does not intend to extend them after July 2008. 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, 2008, Secom Home Life Co., Ltd. ("Secom Home Life"), a subsidiary of the parent company, had overdraft agreements with six banks and its unused lines of credit amounted to ¥38,050 million ($380,500 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 2008 to March 2009. Secom Home Life has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2008 and 2007 comprised the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2008	2007	**2008**
Loans, principally from banks due 2007–2027 with interest rates ranging from 0.00 to 5.83%in 2008 and 2007:			
Secured	**¥20,624**	¥17,252	**$206,240**
Unsecured	**5,249**	2,456	**52,490**
0.46% unsecured bonds due 2007	**—**	1,500	**—**
0.61% unsecured bonds due 2010	**750**	1,050	**7,500**
0.91% unsecured bonds due 2010	**660**	880	**6,600**
Unsecured bonds due 2009–2014 with floating interest rates based on 6-month TIBOR plus 0.15%–0.20%	**14,051**	13,868	**140,510**
Obligations under capital leases, due 2007–2026 (Note 19)	**11,910**	13,191	**119,100**
	53,244	50,197	**532,440**
Less: Portion due within one year	**9,061**	10,044	**90,610**
	¥44,183	¥40,153	**$441,830**

Property, plant and equipment with a carrying amount of ¥51,764 million ($517,640 thousand), inventories with a carrying amount of ¥71,525 million ($715,250 thousand), investment securities with a carrying amount of ¥870 million ($8,700 thousand), time deposits of ¥1,191 million ($11,910 thousand), short-term and long-term receivables of ¥993 million ($9,930 thousand) and other intangible assets and other with a carrying amount of ¥1,593 million ($15,930 thousand) were pledged as collateral for bank loans and long-term debt at March 31, 2008.

The aggregate annual maturities on long-term debt after March 31, 2008 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2009	¥ 9,061	$ 90,610
2010	12,402	124,020
2011	11,186	111,860
2012	6,459	64,590
2013	6,061	60,610
Thereafter	8,075	80,750
	¥53,244	$532,440

13. Insurance-Related Operations

Secom General Insurance Co., Ltd. (“Secom Insurance”), a subsidiary of the parent company, maintains accounting records as noted in Note 2 in accordance with the accounting principles and practices generally accepted in Japan, which vary in certain respects from accounting principles generally accepted in the United States of America. 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 net equity of Secom Insurance at March 31, 2008 and 2007 was ¥35,218 million ($352,180 thousand) and ¥30,553 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, 2008, 2007 and 2006 were ¥1,922 million ($19,220 thousand), ¥3,612 million and ¥3,290 million, respectively.

14. Pension and Severance Costs

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

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

In April 2005, the parent company and certain domestic subsidiaries transferred an additional portion of the cash balance pension plan to the defined contribution pension plan. Accordingly, the ratio of the accumulated amount in the cash balance pension plan and the amount of contributions to the defined contribution pension plan changed to 70 percent and 30 percent, including portions funded in prior periods. The contribution from the cash balance pension plan to the defined contribution plan, which was equivalent to the benefit transferred to the defined contribution pension plan, was ¥4,257 million. In accordance with SFAS No. 88, “Employer’s Accounting for Settlements and Curtailments of Defined Benefit Pension and for Termination Benefits,” 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, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statement No. 87, 88, 106, and 132(R).” SFAS No. 158 required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheet at March 31, 2007, with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax. The adjustment to accumulated other comprehensive income (loss) at adoption represents the unrecognized actuarial loss and unrecognized prior service benefit, both of which were previously netted against the plan’s funded status in the consolidated balance sheets pursuant to the provisions of SFAS No. 87. These amounts will be subsequently recognized as net periodic pension and severance costs pursuant to the Company's historical accounting policy for amortizing such amounts. In addition, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension and severance cost in the same periods will be recognized as other comprehensive income (loss). Those amounts will be subsequently recognized as a component of net periodic pension and severance cost on the same basis as the amounts recognized in accumulated other comprehensive income (loss) at adoption of SFAS No. 158.

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

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

Net periodic pension and severance costs for the years ended March 31, 2008, 2007 and 2006 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	2008
Net periodic pension and severance costs:				
Service cost	¥4,511	¥3,998	¥3,629	$45,110
Interest cost	1,424	1,146	1,097	14,240
Expected return on plan assets	(1,808)	(1,620)	(1,550)	(18,080)
Amortization of prior service benefit	(1,715)	(1,715)	(1,715)	(17,150)
Recognized actuarial loss	1,005	1,123	962	10,050
Net periodic pension and severance costs	¥3,417	¥2,932	¥2,423	$34,170

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

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2008	2007	2008
Change in benefit obligation:			
Benefit obligation at beginning of year	¥71,000	¥57,975	$710,000
Service cost	4,511	3,998	45,110
Interest cost	1,424	1,146	14,240
Actuarial loss	337	208	3,370
Benefits paid	(5,452)	(3,495)	(54,520)
Acquisition	—	11,168	—
Benefit obligation at end of year	71,820	71,000	718,200
Change in plan assets:			
Fair value of plan assets at beginning of year	68,371	57,118	683,710
Actual return (loss) on plan assets	(7,792)	4,685	(77,920)
Employer contribution	5,509	4,818	55,090
Benefits paid	(3,552)	(2,518)	(35,520)
Acquisition	—	4,268	—
Fair value of plan assets at end of year	62,536	68,371	625,360
Funded status at the end of year	(¥ 9,284)	(¥ 2,629)	($ 92,840)

Amounts recognized in the consolidated balance sheet at March 31, 2008 and 2007 consist of:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2008	2007	2008
Prepaid pension and severance costs	¥ 9,135	¥ 15,817	$ 91,350
Accrued pension and severance costs	(18,419)	(18,446)	(184,190)
Net amount recognized	(¥ 9,284)	(¥ 2,629)	($ 92,840)

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2008 were summarized as follows:

	In millions of yen	In thousands of U.S. dollars
Current year actuarial loss	¥ 9,937	$ 99,370
Amortization of actuarial loss	(1,005)	(10,050)
Amortization of prior service benefit	1,715	17,150
	¥10,647	$106,470

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2008 and 2007 consist of:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2008	2007	2008
Actuarial loss	¥22,703	¥13,771	$227,030
Prior service benefit	(14,327)	(16,042)	(143,270)
Net amount recognized	¥ 8,376	(¥ 2,271)	$ 83,760

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 ($17,150 thousand) and ¥868 million ($8,680 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥66,079 million ($660,790 thousand) and ¥65,283 million at March 31, 2008 and 2007, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligation in excess of plan assets were ¥27,588 million ($275,880 thousand), ¥24,775 million ($247,750 thousand) and ¥9,335 million ($93,350 thousand), respectively, at March 31, 2008, and ¥28,207 million, ¥25,401 million and ¥9,853 million, respectively, at March 31, 2007.

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, 2008 and 2007 were as follows:

	March 31	
	2008	2007
Discount rate	2.0%	2.0%
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, 2008, 2007 and 2006 were as follows:

	Years ended March 31		
	2008	2007	2006
Discount rate	2.0%	1.9%	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, 2008 and 2007 were as follows:

	March 31	
	2008	2007
Asset category:		
Equity securities	26.6%	39.9%
Debt securities	20.9	26.9
Call loan	11.6	6.0
Other	40.9	27.2
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 ¥5,499 million ($54,990 thousand) to its domestic defined benefit plans in the year ending March 31, 2009.

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
2009	¥ 5,582	$ 55,820
2010	4,567	45,670
2011	4,528	45,280
2012	4,581	45,810
2013	4,900	49,000
2014–2018	23,140	231,400

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, 2008, 2007 and 2006 were ¥1,413 million ($14,130 thousand), ¥1,392 million and ¥1,365 million, respectively.

15. Exchange Gains and Losses

Other expense for the year ended March 31, 2008 includes net exchange losses of ¥826 million ($8,260 thousand). Other income for the years ended March 31, 2007 and 2006 includes net exchange gains of ¥76 million and ¥664 million.

16. Income Taxes

Total income taxes for the years ended March 31, 2008, 2007 and 2006 were allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	2008
Net Income	¥47,106	¥40,566	¥37,904	$471,060
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains (losses) on securities	(8,189)	(3,437)	3,672	(81,890)
Unrealized gains (losses) on derivative instruments	(8)	(17)	79	(80)
Pension liability adjustments	(3,901)	—	—	(39,010)
Minimum pension liability adjustments	—	(20)	(27)	—
Foreign currency translation adjustments	(497)	476	971	(4,970)
Cumulative effect of change in accounting principle-adoption of EITF 06-2	(846)	—	—	(8,460)
Adjustments for initially applying SFAS No. 158	—	897	—	—
	¥33,665	¥38,465	¥42,599	$336,650

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, 2008, 2007 and 2006.

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
	2008	2007	2006	2008
Income taxes computed at statutory tax rate of 40.5%	¥44,658	¥38,611	¥36,340	$446,580
Increase (decrease) resulting from:				
Unrecognized tax benefits from subsidiaries in loss positions	2,309	1,552	1,366	23,090
Reversal of valuation allowance due to utilization of operating loss carryforwards	(1,260)	(1,629)	(642)	(12,600)
Per capita tax	805	713	699	8,050
Other, net	594	1,319	141	5,940
Consolidated income taxes	¥47,106	¥40,566	¥37,904	$471,060

The significant components of deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Deferred tax assets:			
Deferred revenue	¥13,601	¥13,201	$136,010
Operating loss carryforwards	9,907	9,544	99,070
Adjustment of book value at the date of acquisition—			
Land and buildings	4,899	5,147	48,990
Other assets	2,764	2,764	27,640
Accrued pension and severance costs	7,149	7,400	71,490
Property, plant and equipment	6,524	6,795	65,240
Accrued bonus	5,053	4,781	50,530
Vacation accrual	3,427	2,287	34,270
Intangible assets	2,634	1,955	26,340
Allowance for doubtful accounts	2,239	2,350	22,390
Unrealized losses on securities	1,941	—	19,410
Investment securities	1,641	2,980	16,410
Other	9,014	8,915	90,140
Gross deferred tax assets	70,793	68,119	707,930
Less: Valuation allowance	(17,068)	(15,591)	(170,680)
Total deferred tax assets	53,725	52,528	537,250
Deferred tax liabilities:			
Deferred installation costs	(8,408)	(8,483)	(84,080)
Investments in affiliated companies	(7,496)	(6,732)	(74,960)
Adjustment of book value at the date of acquisition—			
Land and buildings	(5,180)	(5,607)	(51,800)
Long-term receivables	(1,740)	(1,752)	(17,400)
Unearned premiums and other insurance liabilities	(3,324)	(2,347)	(33,240)
Prepaid pension and severance costs	(3,189)	(5,918)	(31,890)
Unrealized gains on securities	—	(6,825)	—
Other	(7,157)	(5,457)	(71,570)
Gross deferred tax liabilities	(36,494)	(43,121)	(364,940)
Net deferred tax assets	¥17,231	¥ 9,407	$172,310

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, 2008 and 2007 was an increase of ¥1,477 million ($14,770 thousand) and ¥245 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, 2008 and 2007.

Net deferred tax assets at March 31, 2008 and 2007 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
	2008	2007	**2008**
Deferred income taxes (Current assets)	**¥17,395**	¥16,947	**$173,950**
Deferred income taxes (Other assets)	**11,321**	6,073	**113,210**
Other current liabilities	**(1,410)**	(978)	**(14,100)**
Deferred income taxes (Liabilities)	**(10,075)**	(12,635)	**(100,750)**
Net deferred tax assets	**¥17,231**	¥ 9,407	**$172,310**

The Company has not recognized deferred tax liabilities of ¥806 million ($8,060 thousand) for a portion of undistributed earnings of foreign subsidiaries totaling ¥8,941 million ($89,410 thousand) at March 31, 2008 because they are not expected to be remitted in the foreseeable future.

At March 31, 2008, the operating loss carryforwards of domestic subsidiaries amounted to ¥20,503 million ($205,030 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
2009	¥ 56	$ 560
2010	481	4,810
2011	4,155	41,550
2012	4,229	42,290
2013	2,522	25,220
2014	4,270	42,700
2015	4,790	47,900
	¥20,503	$205,030

The operating loss carryforwards of overseas subsidiaries at March 31, 2008 amounted to ¥7,041 million ($70,410 thousand), a part of which will begin to expire in the year ending March 31, 2009.

The Company adopted the provisions of FIN No. 48 on April 1, 2007. The adoption of FIN No. 48 did not have a material effect on the Company's financial position and results of operations.

The total amount of unrecognized tax benefits as of the date of adoption of FIN No. 48 and that as of March 31, 2008 were insignificant. Also there were no movements of the gross amounts in unrealized tax benefits and the amounts of interest and penalties recognized due to the unrecognized tax benefits during the year ended March 31, 2008.

Although the Company believes its estimates of unrecognized tax benefits are reasonable, uncertainties regarding the final determination of income tax audit settlements and any related litigation could affect the total amount of unrecognized tax benefits in the future periods. Based on the information available as of March 31, 2008, the Company does not expect significant changes to the unrecognized tax benefits within the next twelve months.

The Company files tax returns in Japan and various foreign jurisdictions. In Japan, the Company is no longer subject to regular income tax examinations by the tax authorities for years before 2004. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities for years before 2007 with few exceptions.

17. 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 ¥363,068 million ($3,630,680 thousand) at March 31, 2008.

Subsequent to March 31, 2008, the parent company's Board of Directors declared an annual cash dividend of ¥19,122 million ($191,220 thousand) to shareholders of record on March 31, 2008. The dividend declared was approved at the general shareholders' meeting held on June 26, 2008. 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, 2008, 2007 and 2006 is as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2008:			
Unrealized losses on securities—			
Unrealized holding gains or losses arising during the period	**(¥18,914)**	**¥ 7,880**	**(¥11,034)**
Less: Reclassification adjustment for gains or losses included in net income	**(513)**	**309**	**(204)**
Unrealized losses on derivative instruments—			
Unrealized holding gains or losses arising during the year	**(61)**	**7**	**(54)**
Less: Reclassification adjustment for gains or losses included in net income	**12**	**1**	**13**
Pension liability adjustments—			
Unrealized gains or losses arising during the period	**(9,209)**	**3,645**	**(5,564)**
Less: Reclassification adjustment for gains or losses realized in net income	**(690)**	**256**	**(434)**
Foreign currency translation adjustments	**(2,684)**	**497**	**(2,187)**
Other comprehensive income (loss)	**(¥32,059)**	**¥12,595**	**(¥19,464)**
For the year ended March 31, 2007:			
Unrealized gains on securities—			
Unrealized holding gains or losses arising during the period	(¥ 2,924)	¥1,362	(¥ 1,562)
Less: Reclassification adjustment for gains or losses included in net income	(3,539)	2,075	(1,464)
Unrealized losses on derivative instruments—			
Unrealized holding gains or losses arising during the year	(132)	19	(113)
Less: Reclassification adjustment for gains or losses included in net income	32	(2)	30
Minimum pension liability adjustments	(41)	20	(21)
Foreign currency translation adjustments	2,669	(476)	2,193
Other comprehensive income (loss)	(¥ 3,935)	¥2,998	(¥ 937)
For the year ended March 31, 2006:			
Unrealized gains on securities—			
Unrealized holding gains or losses arising during the period	¥14,660	(¥5,764)	¥ 8,896
Less: Reclassification adjustment for gains or losses included in net income	(5,448)	2,092	(3,356)
Unrealized gains on derivative instruments—			
Unrealized holding gains or losses arising during the year	163	(66)	97
Less: Reclassification adjustment for gains or losses included in net income	31	(13)	18
Minimum pension liability adjustments	(57)	27	(30)
Foreign currency translation adjustments	7,317	(971)	6,346
Other comprehensive income (loss)	¥16,666	(¥4,695)	¥11,971

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2008:			
Unrealized losses on securities—			
Unrealized holding gains or losses arising during the period	**($189,140)**	**$ 78,800**	**($110,340)**
Less: Reclassification adjustment for gains or losses included in net income	**(5,130)**	**3,090**	**(2,040)**
Unrealized losses on derivative instruments—			
Unrealized gains or losses arising during the year	**(610)**	**70**	**(540)**
Less: Reclassification adjustment for gains or losses included in net income	**120**	**10**	**130**
Pension liability adjustments—			
Unrealized gains or losses arising during the period	**(92,090)**	**36,450**	**(55,640)**
Less: Reclassification adjustment for gains or losses realized in net income	**(6,900)**	**2,560**	**(4,340)**
Foreign currency translation adjustments	**(26,840)**	**4,970**	**(21,870)**
Other comprehensive income (loss)	**($320,590)**	**$125,950**	**($194,640)**

18. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2008, 2007 and 2006 were ¥5,792 million ($57,920 thousand), ¥5,875 million and ¥4,061 million, respectively.

19. 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 ($50,860 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, 2008 were ¥5,920 million ($59,200 thousand).

A summary of leased assets under capital leases at March 31, 2008 and 2007 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2008	2007	**2008**
Buildings and improvements	**¥ 5,208**	¥ 5,208	**$ 52,080**
Machinery, equipment and automobiles	**15,672**	16,531	**156,720**
Other intangible assets	**791**	723	**7,910**
Accumulated depreciation	**(10,814)**	(10,488)	**(108,140)**
	¥10,857	¥11,974	**$108,570**

Depreciation expenses under capital leases for the years ended March 31, 2008, 2007 and 2006 were ¥4,089 million ($40,890 thousand), ¥3,704 million and ¥3,576 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, 2008:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2009	¥ 3,675	$ 36,750
2010	2,727	27,270
2011	1,822	18,220
2012	1,171	11,710
2013	640	6,400
Thereafter	4,524	45,240
Total minimum lease payments	14,559	145,590
Less: Amount representing interest	2,649	26,490
Present value of net minimum lease payments (Note 12)	11,910	119,100
Less: Current portion	3,282	32,820
Long-term capital lease obligations	¥ 8,628	$ 86,280

Rental expenses under operating leases for the years ended March 31, 2008, 2007 and 2006 were ¥15,912 million ($159,120 thousand), ¥15,771 million and ¥15,415 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 ($13,390 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, 2008 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2009	¥ 2,504	$ 25,040
2010	2,329	23,290
2011	2,255	22,550
2012	2,233	22,330
2013	2,219	22,190
Thereafter	20,908	209,080
Total future minimum lease payments	¥32,448	$324,480

20. Lessor

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

A summary of lease receivables under sales-type and direct-financing leases at March 31, 2008 and 2007 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Total minimum lease payments to be received	¥48,206	¥32,375	$482,060
Estimated executory cost	(3,576)	(2,034)	(35,760)
Estimated unguaranteed residual value	3,480	2,161	34,800
Unearned income	(13,069)	(6,289)	(130,690)
Lease receivables, net	35,041	26,213	350,410
Less: Current portion	(7,820)	(6,340)	(78,200)
Long-term lease receivables, net	¥27,221	¥19,873	$272,210

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, 2008:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2009	¥ 9,317	$ 93,170
2010	7,647	76,470
2011	6,170	61,700
2012	4,279	42,790
2013	2,369	23,690
Thereafter	18,424	184,240
Total future minimum lease payments to be received	¥48,206	$482,060

A summary of investment in property on operating leases and property held for lease at March 31, 2008 and 2007 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Land	¥27,223	¥25,686	$272,230
Buildings and improvements	26,955	26,299	269,550
Other intangible assets	775	775	7,750
Accumulated depreciation	(7,634)	(6,881)	(76,340)
	¥47,319	¥45,879	$473,190

The future minimum rentals on non-cancelable operating leases at March 31, 2008 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2009	¥ 2,622	$ 26,220
2010	760	7,600
2011	760	7,600
2012	760	7,600
2013	760	7,600
Thereafter	12,104	121,040
Total future minimum rentals	¥17,766	$177,660

21. Fair Value of Financial Instruments

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

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

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

(2) Short-term Investments; Investment Securities

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

(3) Long-Term Receivables

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

(4) Long-Term Debt Including Current Portion

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

(5) Investment Deposits by Policyholders

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

(6) Derivatives

The fair values of interest rate swaps and embedded derivatives 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 7 at March 31, 2008 and 2007 are as follows:

	In millions of yen			
	March 31			
	2008		2007	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Liabilities—				
Long-term debt including current portion	¥53,244	¥53,344	¥50,197	¥50,134
Investment deposits by policyholders	87,252	89,373	93,361	95,246
Derivatives:				
Assets—				
Interest rate swaps	—	—	8	8
Liabilities—				
Interest rate swaps	135	135	84	84
Embedded derivatives	514	514	—	—

	In thousands of U.S. dollars	
	March 31	
	2008	
	Carrying amount	Estimated fair value
Non-derivatives:		
Liabilities—		
Long-term debt including current portion	$532,440	$533,440
Investment deposits by policyholders	872,520	893,730
Derivatives:		
Assets—		
Interest rate swaps	—	—
Liabilities—		
Interest rate swaps	1,350	1,350
Embedded derivatives	5,140	5,140

Limitation:

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

22. Derivative Financial Instruments

(1) Risk Management Policy

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

(2) Interest Rate Risk Management

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

(3) Cash Flow Hedge

The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originated from floating rate borrowings. The interest rate swap agreements mature at various dates through 2012. The effective portion of changes in fair values of derivative instruments designated as cash flow hedges of these debt obligations are reported in other comprehensive income (loss). These amounts are reclassified into current income in the same period that hedged items affect current income. The ineffective portion of changes in fair values are reported in income immediately. The sum of the amount of the hedge ineffectiveness and net gains or losses excluded from the assessment of hedge effectiveness is not material for the years ended March 31, 2008, 2007 and 2006 as the critical terms of most of the interest rate swap agreements match the terms of the hedged debt obligations. Approximately

¥23 million ($230 thousand) of net derivative losses included in other comprehensive income (loss), net of tax at March 31, 2008, will be reclassified into current income within 12 months from that date. At March 31, 2008 and 2007, the notional principal amounts of interest rate swap agreements designated as cash flow hedges were ¥21,111 million ($211,110 thousand) and ¥23,052 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. Certain subsidiaries hold embedded derivatives that must be separated from the host debt securities and accounted for as derivative instruments, which are also to increase investment income. Changes in fair value of the above noted derivative financial instruments, which are not designated as hedges, are reported in current income.

23. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2008 for the purchase of property, plant and equipment approximated ¥10,843 million ($108,430 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 five years. The maximum amount of undiscounted payments the Company would have to make in the event of default amounts to ¥3,975 million ($39,750 thousand) at March 31, 2008. The carrying amounts of the liabilities recognized for the Company's obligations under these guarantees at March 31, 2008 and 2007 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 ($25,000 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 ($10,000 thousand), which is pending at March 31, 2008.

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 ($20,100 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, 2008.

24. 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
	2008	2007	2006	**2008**
Cash paid during the year for:				
Interest	**¥ 2,082**	¥ 1,865	¥ 1,873	**$ 20,820**
Income taxes	**43,067**	38,360	28,959	**430,670**
Non-cash investing and financing activities:				
Additions to obligations under capital leases	**¥ 2,668**	5,395	2,253	**$ 26,680**

25. 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 surveying and measuring services and GIS 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, 2008, 2007 and 2006 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
	2008	2007	2006	2008
Net sales and operating revenue:				
Security services—				
Customers	¥435,306	¥415,410	¥400,044	$4,353,060
Intersegment	1,375	1,491	1,317	13,750
	436,681	416,901	401,361	4,366,810
Fire protection services—				
Customers	82,572	27,448	—	825,720
Intersegment	4,046	944	—	40,460
	86,618	28,392	—	866,180
Medical services—				
Customers	50,741	45,852	39,215	507,410
Intersegment	127	233	220	1,270
	50,868	46,085	39,435	508,680
Insurance services—				
Customers	33,229	31,978	29,537	332,290
Intersegment	2,894	2,702	2,496	28,940
	36,123	34,680	32,033	361,230
Geographic information services—				
Customers	39,376	36,438	35,271	393,760
Intersegment	321	138	113	3,210
	39,697	36,576	35,384	396,970
Information and communication related and other services—				
Customers	65,471	79,552	76,459	654,710
Intersegment	8,700	9,096	6,406	87,000
	74,171	88,648	82,865	741,710
Total	724,158	651,282	591,078	7,241,580
Eliminations	(17,463)	(14,604)	(10,552)	(174,630)
Total net sales and operating revenue	¥706,695	¥636,678	¥580,526	$7,066,950

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	**2008**
Operating income (loss):				
Security services	**¥103,137**	¥ 96,162	¥86,660	**$1,031,370**
Fire protection services	**4,948**	1,815	—	**49,480**
Medical services	**(1,083)**	(2,914)	(1,321)	**(10,830)**
Insurance services	**3,766**	3,752	5,061	**37,660**
Geographic information services	**1,439**	394	900	**14,390**
Information and communication related and other services	**5,391**	7,335	5,643	**53,910**
Total	**117,598**	106,544	96,943	**1,175,980**
Corporate expenses and eliminations	**(11,970)**	(12,126)	(15,050)	**(119,700)**
Operating income	**¥105,628**	¥ 94,418	¥81,893	**$1,056,280**
Other income	**13,011**	8,437	15,936	**130,110**
Other expenses	**(8,376)**	(7,519)	(8,101)	**(83,760)**
Income before income taxes	**¥110,263**	¥ 95,336	¥89,728	**$1,102,630**

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2008	2007	2006	**2008**
Assets:				
Security services	**¥ 472,071**	¥ 467,071	¥ 438,989	**$ 4,720,710**
Fire protection services	**80,777**	77,850	—	**807,770**
Medical services	**119,251**	105,158	102,838	**1,192,510**
Insurance services	**188,538**	196,798	284,911	**1,885,380**
Geographic information services	**58,038**	55,124	55,448	**580,380**
Information and communication related and other services	**195,284**	178,532	145,757	**1,952,840**
Total	**1,113,959**	1,080,533	1,027,943	**11,139,590**
Corporate items	**104,752**	121,817	159,210	**1,047,520**
Investments in and loans to affiliated companies	**46,814**	38,832	38,075	**468,140**
Total assets	**¥1,265,525**	¥1,241,182	¥1,225,228	**$12,655,250**

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	**2008**
Depreciation and amortization:				
Security services	**¥47,191**	¥49,168	¥44,942	**$471,910**
Fire protection services	**1,171**	326	—	**11,710**
Medical services	**3,816**	3,202	1,629	**38,160**
Insurance services	**1,225**	1,206	1,143	**12,250**
Geographic information services	**1,666**	1,631	1,494	**16,660**
Information and communication related and other services	**2,758**	2,414	2,690	**27,580**
Total	**57,827**	57,947	51,898	**578,270**
Corporate items	**367**	301	441	**3,670**
Total depreciation and amortization	**¥58,194**	¥58,248	¥52,339	**$581,940**
Capital expenditures:				
Security services	**¥33,192**	¥33,306	¥29,351	**$331,920**
Fire protection services	**1,556**	364	—	**15,560**
Medical services	**4,674**	5,985	8,474	**46,740**
Insurance services	**8**	49	1,733	**80**
Geographic information services	**1,450**	1,882	436	**14,500**
Information and communication related and other services	**5,880**	6,163	7,448	**58,800**
Total	**46,760**	47,749	47,442	**467,600**
Corporate items	**63**	12	120	**630**
Total capital expenditures	**¥46,823**	¥47,761	¥47,562	**$468,230**

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
	2008	2007	2006	**2008**
Electronic security services	**¥296,167**	¥285,858	¥277,892	**$2,961,670**
Other security services:				
Static guard services	**46,648**	42,144	41,480	**466,480**
Armored car services	**19,547**	20,308	19,369	**195,470**
Merchandise and other	**72,944**	67,100	61,303	**729,440**
Total security services	**¥435,306**	¥415,410	¥400,044	**$4,353,060**

(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, 2008, 2007 and 2006 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	**2008**
Net sales and operating revenue:				
Japan	**¥684,909**	¥620,435	¥564,803	**$6,849,090**
Other	**21,786**	16,243	15,723	**217,860**
Total	**¥706,695**	¥636,678	¥580,526	**$7,066,950**

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2008	2007	2006	**2008**
Long-lived assets:				
Japan	**¥345,318**	¥347,546	¥330,752	**$3,453,180**
Other	**6,185**	5,023	5,609	**61,850**
Total	**¥351,503**	¥352,569	¥336,361	**$3,515,030**

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

KPMG

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, 2008 and 2007, 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, 2008, 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, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

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.

The accompanying consolidated financial statements as of and for the year ended March 31, 2008 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 3 of the notes to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 26, 2008

OTHER FINANCIAL DATA

CONTENTS

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

In millions of yen

	2008	2007	2006	2005	2004	2003
Composition of consolidated net sales and operating revenue by segment						
Net sales and operating revenue	**¥706,695**	¥636,678	¥580,526	¥552,354	¥517,435	¥497,691
Security services:	**435,306**	415,410	400,044	382,360	367,482	352,985
As a percentage of net sales and operating revenue	***61.6%***	*65.3%*	*68.9%*	*69.2%*	*71.0%*	*70.9%*
Electronic security services—	**296,167**	285,858	277,892	271,872	263,900	257,075
As a percentage of net sales and operating revenue	***41.9***	*44.9*	*47.9*	*49.2*	*51.0*	*51.6*
Other security services—						
Static guard services	**46,648**	42,144	41,480	38,302	37,537	35,908
As a percentage of net sales and operating revenue	***6.6***	*6.6*	*7.1*	*6.9*	*7.2*	*7.2*
Armored car services	**19,547**	20,308	19,369	18,462	18,618	17,261
As a percentage of net sales and operating revenue	***2.8***	*3.2*	*3.3*	*3.4*	*3.6*	*3.5*
Subtotal	**66,195**	62,452	60,849	56,764	56,155	53,169
Merchandise and other	**72,944**	67,100	61,303	53,724	47,427	42,741
As a percentage of net sales and operating revenue	***10.3***	*10.6*	*10.6*	*9.7*	*9.2*	*8.6*
Fire protection services	**82,572**	27,448	—	—	—	—
As a percentage of net sales and operating revenue	***11.7***	*4.3*	—	—	—	—
Medical services	**50,741**	45,852	39,215	34,688	21,147	19,637
As a percentage of net sales and operating revenue	***7.2***	*7.2*	*6.7*	*6.3*	*4.1*	*3.9*
Insurance services	**33,229**	31,978	29,537	26,465	23,536	15,234
As a percentage of net sales and operating revenue	***4.7***	*5.0*	*5.1*	*4.8*	*4.5*	*3.1*
Geographic information services	**39,376**	36,438	35,271	34,915	32,346	39,525
As a percentage of net sales and operating revenue	***5.6***	*5.7*	*6.1*	*6.3*	*6.3*	*8.0*
Information and communication related and other services	**65,471**	79,552	76,459	73,926	72,924	70,310
As a percentage of net sales and operating revenue	***9.2***	*12.5*	*13.2*	*13.4*	*14.1*	*14.1*
Net income, cash dividends and shareholders' equity						
Net income	**¥ 61,756**	¥ 55,889	¥ 50,331	¥ 52,133	¥ 23,479	¥ 30,275
Cash dividends (paid)[2]	**17,998**	13,499	11,251	10,127	9,003	9,330
Shareholders' equity	**574,554**	551,732	508,696	457,837	415,852	372,518
Consolidated financial ratios						
Percentage of working capital accounted for by:						
Debt—						
Bank loans	**17.5**	17.4	15.2	16.1	17.7	20.0
Current portion of long-term debt	**1.2**	1.4	6.4	1.7	2.1	3.3
Convertible bonds	**—**	—	—	—	—	0.0
Straight bonds	**1.8**	1.9	1.6	6.4	5.2	5.2
Other long-term debt	**4.0**	3.6	3.6	3.9	9.2	11.4
Total debt	**24.5**	24.3	26.8	28.1	34.2	39.9
Shareholders' equity	**75.5**	75.7	73.2	71.9	65.8	60.1
Total capitalization	**100.0**	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage)[a]	**4.9**	4.5	4.1	4.5	2.0	2.6
Return on equity (percentage)[b]	**10.7**	10.1	9.9	11.4	5.6	8.1
Percentage of net sales and operating revenue absorbed by[c]:						
Depreciation and amortization	**8.2**	9.1	9.0	9.1	10.1	10.3
Rental expense under operating leases	**2.3**	2.5	2.7	2.6	2.8	3.0
Ratio of accumulated depreciation to depreciable assets (percentage)	**63.8**	62.3	60.5	60.0	54.8	50.6
Net property turnover (times)[c]	**2.81**	2.54	2.39	2.43	1.74	1.37
Before-tax interest coverage (times)[c][d]	**53.7**	53.5	48.8	39.3	15.9	15.2

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

	2008	2007	2006	2005	2004	2003
Number of shares outstanding						
Issued	**233,288,717**	233,288,717	233,288,717	233,288,717	233,281,133	233,281,133
Owned by the Company	**8,323,599**	8,318,900	8,301,997	8,266,043	8,228,652	8,200,245
Balance	**224,965,118**	224,969,817	224,986,720	225,022,674	225,052,481	225,080,888
Per share information						
Basic net income per share (in yen) [1]	**¥ 274.51**	¥ 248.42	¥ 223.69	¥ 231.66	¥ 104.32	¥ 132.87
Cash dividends paid per share (in yen) [2]	**80.00**	60.00	50.00	45.00	40.00	40.00
Shareholders' equity per share (in yen) [3]	**2,553.97**	2,452.47	2,261.00	2,034.63	1,847.80	1,655.04
Cash flow per share (in yen) [1] [e]	**448.19**	427.34	396.31	410.29	294.56	321.88
Price/Book value ratio	**1.90**	2.23	2.66	2.19	2.46	1.84
Price/Earnings ratio	**17.63**	22.02	26.91	19.25	43.52	22.88
Price/Cash flow ratio	**10.80**	12.80	15.19	10.87	15.41	9.44
Stock price at year-end (in yen)	**4,840**	5,470	6,020	4,460	4,540	3,040

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, 2008, cash dividends of ¥19,122 million (¥85.00 per share) were approved at the general shareholders' meeting on June 26, 2008 (see Note 17 of the accompanying notes to consolidated financial statements).
(3) Per share amounts are based on the number of shares outstanding at the end of each period, minus treasury stock.

SECOM CO., LTD.
As of March 31

SHAREHOLDER INFORMATION

	2008	2007	2006	2005	2004	2003
Number of shareholders	**28,512**	30,683	19,807	21,327	21,720	20,230
Common shares held by:						
Financial institutions	**33.84%**	32.21%	33.04%	34.32%	37.04%	46.14%
Securities firms	**3.86**	3.68	2.16	1.99	2.19	2.04
Other corporations	**3.81**	3.86	3.92	4.13	4.29	4.60
Foreign investors	**41.71**	42.43	43.40	40.75	37.22	28.64
Individuals and others	**16.78**	17.82	17.48	18.81	19.26	18.58
Total	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%

PRICE INFORMATION (TOKYO STOCK EXCHANGE)

		Price per share (in yen)		Nikkei Stock Average (in yen)	
		High	Low	High	Low
2006	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
	April–June	5,860	5,360	18,240.30	17,028.41
	July–September	5,830	5,060	18,261.98	15,273.68
	October–December	6,340	5,480	17,458.98	14,837.66
2008	January–March	6,200	4,720	14,691.41	11,787.51

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, 2008, the number of shares outstanding was 233,289 thousand and share capital was ¥66,377,829 thousand.
*One share was split into two.