



Makoto Iida
Founder

Consolidated Operating Results

In the fiscal year ended March 31, 2009, a harsh economic environment persisted in Japan as the impact of the financial crisis precipitated by the U.S. subprime loan debacle spread, triggering sharp declines in the economies of countries around the world and leading to deteriorating corporate profits and a decline in private-sector capital investment, as well as by worsening unemployment and falling personal income, which hampered consumer spending.

In this environment, we continued to respond to customers' needs with the aim of realizing our Social System Industry vision. To this end, we stepped up efforts to provide high-grade products and services suited to customer needs in our core security services business, as well as in our other businesses, namely, fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services.

While net sales and operating revenue increased steadily in the security services, fire protection services, medical services and geographic information services businesses, declines were reported in the insurance services business, due to an increase in loss on other-than-temporary impairment of investment securities reflecting a stagnant stock market; the real estate development and sales business, owing to flagging conditions in the condominium market; and the information and communication related and other services business, a consequence of efforts to scale back lower-margin services. Consolidated net sales and operating revenue slipped 2.5%, or ¥17.9 billion, to ¥688.8 billion. The decline in net sales and operating revenue, together with the write-down on real estate inventories in the real estate development and sales business, pushed operating income down 27.4%, or ¥28.9 billion, to ¥76.7 billion. Net income fell 50.5%, or ¥31.2 billion, to ¥30.6 billion, owing mainly to an increase in loss on other-than-temporary impairment of investment securities.

Having judged the negative turn in our performance to be a transitory phenomenon, we prioritized solid returns to shareholders when determining dividends. At the general shareholders' meeting on June 25, 2009, shareholders approved a resolution to pay annual cash dividends of ¥85.00 per share, the same amount as in the previous fiscal year. With the aim of enhancing returns, we also repurchased ¥30.0 billion worth of treasury stock during the period under review.

Understanding and Responding to Changes in the Operating Environment

In the security services business, the increasing frequency of malicious and cunning crimes and changing social imperatives have led to increasingly diverse and sophisticated safety and security needs. As a consequence, demand for security services is expanding. At the same time, difficult economic conditions have raised customers' cost consciousness, prompting an increasing need for products and services that deliver better quality and cost performance than ever before.

In the market for commercial security services, we took steps to reinforce sales activities with the aim of increasing our market share. While we have always promoted ambitious marketing initiatives, there are still a number of industries and customer groups for which our efforts have been insufficient and thus there are potential customer groups which remain untapped. As always, our basic approach is for SECOM sales personnel to visit each potential customer in person, thus ensuring our ability to accurately grasp needs and respond with appropriate product and service proposals, thereby leading to new contracts. For existing customers, we continue to offer distinctive, comprehensive packages of products and services—including building facility inspection and maintenance—tailored to customers' needs. Owing to evolving social conditions and flagging business conditions, shops and building tenants today move location with increasing frequency. In response to this trend, we continue to capitalize on our nationwide network of offices to enable customers changing premises to transfer their security services contracts to their new locations, as well as to encourage new tenants to sign contracts.

In the home security market, despite worsening conditions in the housing market and shrinking sales of built-for-sale single-family dwellings, residential customers continue to seek higher levels of security, prompted by the rising incidence of vicious and cunning crimes targeting homes and the increasing prevalence of home security systems. Here, too, we continue to focus on increasing the number of contracts for SECOM Home Security systems by strengthening our sales efforts. A recent partial revision of Japan's Fire Services Act has made it mandatory for new homes to install fire alarm systems. By 2011, local authorities will enact corresponding ordinances obliging existing homes to do the same. Taking advantage of this change, we are taking decisive steps to market Home Fire Sensor, which can be connected to SECOM Home Security systems, to existing residential customers. We have also marketed fire insurance to SECOM Home Security subscribers, capitalizing on the fact that such customers are eligible for discounts on fire insurance premiums because security systems reduce the risk of fire. To accommodate customers' demand for even greater security, we have also reinforced the marketing of a variety of security products that can be connected to SECOM home security systems, including high-impact, break-age-resistant window glass and our External Image Monitoring System. We are also expanding and enhancing the popular SECOM Home Service, a suite of lifestyle support services through which we assist SECOM Home Security subscribers in resolving everyday problems.

We are gradually increasing our presence in overseas security services markets, particularly in other parts of Asia. In the PRC, which continues to see considerable economic growth, we offer SECOM security services in key coastal cities and surrounding urban areas. With the aim of gaining increased market acceptance, we are also expanding into inland areas. In Southeast Asia, where demand for security services is increasing in tandem with economic growth, we are working to further bolster our operations by establishing new bases and expanding our business foundation.



Shohei Kimura
Chairman



Kanemasa Haraguchi
President and Representative Director

To realize our Social System Industry vision, we are also stepping up efforts to expand businesses other than security services. In the area of fire protection services, we continue to see brisk sales of fire protection systems in the renovations market. In recent years, demand has grown in the renovations market as building owners, anxious to minimize costs, increasingly choose to renovate rather than rebuild. Subsidiary Nohmi Bosai Ltd., a leading name in the fire protection market, continues to draw on its outstanding reputation and accumulated expertise to advise building owners on the most appropriate choices for their needs.

In medical services, we are enhancing our various home medical services, which include home nursing and pharmaceutical dispensing and home delivery services, as well as distinctive and highly innovative residences for seniors. In June 2009, we opened Comfort Hills Rokko, a new residence that capitalizes on our accumulated expertise and the first such facility in Japan to be linked directly to a general hospital.

In insurance services, we expanded marketing efforts for our unique non-life insurance offerings. These include fire insurance policies for businesses and homes that offer discounts on premiums to customers that have installed on-line security systems, recognizing such systems as a risk-mitigating factor; a comprehensive automobile insurance policy that encompasses support services provided by our emergency response personnel; and MEDCOM, an unrestricted cancer treatment policy. With the number of contracts for fire insurance and MEDCOM continuing to increase, we will take further steps to reinforce sales.

In geographic information services, we have built on our accumulated geographic information system (GIS) surveying capabilities to generate geospatial data, which we supply to public- and private-sector customers. We have also obtained exclusive rights in Japan and nonexclusive rights worldwide to sell image data generated by a certain commercial satellite, and have launched this as a new business in Japan and overseas.

Our real estate development and sales business involves the development and sale of condominiums equipped with advanced security and disaster prevention systems. In response to flagging demand for condominiums in the period under review, we sought to bolster sales and reduce inventories by restricting our selection of properties for development and sale and revising sales prices.

Our information and communication related and other services business focuses on comprehensive information and network services, encompassing information security and disaster response support services. We recently added “new strains of influenza” to the list of applicable situations for the SECOM Safety Confirmation Service, which is designed to help companies confirm the safety of their employees in the aftermath of a major disaster.

Realizing the Social System Industry Vision

Having positioned the security services business as our core focus and expanded our portfolio to include fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and

communication related and other services, we are developing and providing products and services that deliver greater added value by promoting close collaboration among these businesses. Our quest to realize our Social System Industry vision involves the creation of a comprehensive framework of distinctive products and services that benefit society. To this end, we will continue striving to reinforce our grasp of changing social imperatives and the needs of customers for security and peace of mind, with the aim of offering products and services that deliver increased value. Through these efforts, we will contribute to the creation of a society in which all people feel safe and at ease.

Overseas, we will leverage expertise accumulated in Japan to provide security services of the same high quality as we do in the domestic market customized to meet different national and regional market needs.

In line with our ultimate objective as a corporate entity, which is to contribute to society through our business activities, we are guided by our original corporate philosophy, which emphasizes challenging accepted norms to create innovative and better-suited solutions, and striving to do what is appropriate, that is, judging the legitimacy of our actions based on whether they are just and fair and benefit society. Our continued growth to date is attributable to our determination, guided by this philosophy, to proceed forward boldly, not fearing change but rather capitalizing on it to cultivate innovative new businesses. Our corporate message—"Providing reliable peace of mind"—encapsulates our mission to develop and offer products and services that promote a level of safety worthy of the trust of our customers, thereby enabling us to realize our Social System Industry vision. The management and employees of SECOM thus pledge to work as one to continue achieving growth.

In these and all of our endeavors, we look forward to the continuous support of our shareholders.

June 25, 2009



Makoto Iida
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Chairman



Kanemasa Haraguchi
President and Representative Director