

Consolidated Operating Results

In the fiscal year ended March 31, 2010, improved economic conditions overseas and emergency economic stimulus measures in Japan prompted a recovery in corporate earnings and stemmed the decline in capital investment. Nevertheless, the Japanese economy fell short of a full recovery, owing to a persistently harsh employment situation, coupled with fears of another economic downturn overseas and deflation at home.

In this environment, SECOM continued to respond to needs of customers by providing high-grade products and services in our mainstay security services business, as well as in our other businesses: fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services. Through such efforts, we pressed forward to realize our Social System Industry vision.

Despite increases in our medical services, insurance services and geographic information services segments, consolidated net sales and operating revenue were down 2.0%, or ¥13.4 billion, to ¥670.6 billion. This result was largely attributable to a decrease in net sales and operating revenue in our mainstay security services segment, which reflected a decline in sales of merchandise and the negative impact of foreign exchange rate fluctuations on the net sales and operating revenues of overseas subsidiaries, which increased on a local currency basis. Other factors included flagging conditions in the condominium market, which prompted us to restrict our selection of properties for development while paying heed to profitability. In contrast, operating income rose 27.4%, or ¥20.9 billion, to ¥97.2 billion, owing to decreases in loss on other-than-temporary impairment of investment securities in the insurance services segment and write-down of real estate inventories in the real estate development and sales segment. Net income attributable to SECOM CO., LTD., advanced 53.8%, or ¥16.4 billion, to ¥47.0 billion, reflecting the increase in operating income and decrease in the loss on other-than-temporary impairment of investment securities.

Distribution of Dividends

Recognizing the provision of a fair return to shareholders as an important task, we determine consolidated dividend payout levels based on an overall assessment of trends in our operating performance, in line with our policy of ensuring a consistent, stable distribution of profits. At the general shareholders' meeting held on June 25, 2010, shareholders approved the payment of annual cash dividends of ¥85.00 per share, the same as in the previous fiscal year.

New Management Team

At a meeting of SECOM's Board of Directors on November 16, 2009, directors voted to appoint new senior executives. Accordingly, effective January 1, 2010, Kanemasa Haraguchi was appointed executive vice chairman and Shuji Maeda took the reins as president and representative director.

Creating New Business Opportunities

The nature of security services is changing with the times. Evolving social imperatives, changing patterns of criminal behavior, technological advances and improvements in the social infrastructure are among the many factors that influence the constantly evolving needs of customers for security and peace of mind. The security services market must keep pace with these changes.

One result of such changes has been a broadening of our customer base for on-line home security systems. Another has been more diversity in interpretations of “security and peace of mind” among existing customers, particularly for SECOM Home Security. In response, we have introduced a wider range of peripheral products and services that help make life more secure. These range from remote monitoring services that use surveillance cameras placed outside the subscriber’s home to high-impact, breakage-resistant window glass. Looking ahead, needs and family structures will continue to evolve as the aging of society spurs an increase in the number of elderly couples and seniors living alone. We believe that SECOM has the flexibility necessary to respond accurately to the evolving needs of such a diverse range of customers. Our confidence derives from our proven service capabilities, substantial management resources and distinctive corporate culture.

In our core on-line security services business, we maintain control over every aspect of our security services, from R&D to manufacturing, sales, security planning, installation, around-the-clock monitoring, emergency response services and equipment maintenance. This approach enables us to swiftly incorporate feedback from subscribers and potential customers—obtained through day-to-day sales and service activities—into the development process. Our R&D departments use such information in the development of new security systems as well as in ongoing efforts to improve existing systems, further enhancing our ability to respond to customer needs. We have also established a department dedicated to comprehensively investigating and analyzing social trends. This department serves as our very own radar, picking up on social changes and predicting how such changes will transform the market, and constantly verifying and widening its research to back up findings. The results of these activities are also fed back to our R&D groups, bolstering our ability to develop proprietary technologies and new products and systems, and to determine new R&D themes. Such close cooperation among sales, operations and R&D teams is a direct result of our uniquely integrated business approach.

This approach helps us deliver uninterrupted high-grade services around the clock, a prerequisite to security and peace of mind. To ensure that our security systems operate dependably, regardless of weather conditions and where they are installed, we have established our own stringent quality standards that all products and services must meet. Information gathered by our various departments is collected, analyzed and used to improve our day-to-day operations. These and other efforts to continuously improve and enhance are the secret to SECOM quality and reliability.

Building on our mainstay security services, we have developed our business 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. By leveraging the capabilities of our Group companies, we

continue to deliver unrivaled products and services that provide safety and security for people everywhere.

What really makes this integrated approach to the provision of products and services work—enabling us to capitalize on comprehensive Group capabilities to provide advanced and highly reliable products and services—is the efforts of our employees. In all of our efforts, we adhere to our original corporate philosophy, which emphasizes not being content with the status quo and striving to do what is appropriate. The former means continually seeking to provide more innovative and appropriate solutions; the latter means judging the legitimacy of our actions based on whether they are just and fair and beneficial to society. This philosophy also guides the actions of each and every SECOM employee, inspiring them to work with pride and dedication.

By continuing to place a high priority on advanced technologies and product dependability, we pledge to continue combining our products and services into distinctive packages, to achieve our overarching goal of providing safety and security for people whenever and wherever necessary. We have always sought to keep abreast of social trends and changing patterns of criminal activity, among others, to leverage our diverse basic technologies and accumulated know-how and create products and services that make life more secure, convenient and comfortable. We will push forward with the expansion of our businesses by developing forward-looking products and services that respond accurately to customer needs and by infusing new energy into our sales activities.

Strengthening Operations in Growing Markets Overseas

In key Asian markets, economic growth has spurred an increase in security needs in recent years. The defining feature of our overseas security services business is that we provide “SECOM-style” on-line security services, that is, services of the same high quality as in Japan, customized to reflect local needs and cultural sensibilities. The standard business model of security services companies in Europe and the United States is to sell security equipment outright. While such equipment is linked to an on-line monitoring center, the standard response in the event of an emergency is simply to notify the police and/or other pertinent authorities. In contrast, “SECOM-style” on-line security services encompass the installation of security equipment at the subscriber’s premises, around-the-clock monitoring from a SECOM control center and prompt dispatch of emergency response personnel should an abnormality be detected. Going forward, we will continue working to increase the trust of subscribers in overseas markets, while at the same time promoting greater market penetration for “SECOM-style” services.

In the People’s Republic of China (PRC), which continues to see exceptional economic growth, we are actively promoting “SECOM-style” security services. We have established a network of bases, particularly in key cities in the country’s important coastal regions. In the coming years, we intend to expand this network to major inland cities, enabling us to provide the same reliable services to an increasing number of subscribers. We have also established an R&D facility in Shanghai, which is gathering information in relation to the amendment of standards for security equipment in the PRC—a change that is expected to have far-reaching ramifications for security services companies in the country. Additionally,

we are preparing for the launch of on-line home security services, which will open up a brand new market to us.

Repositioning SECOM Firmly on a New Growth Trajectory

We continue to pursue a variety of initiatives aimed at realizing our Social System Industry vision, which depicts a framework of distinctive, integrated products and services that make life more secure, convenient and comfortable. To this end, we not only provide individual products and services, but also combine them into tailored, integrated packages, thereby creating an essential social infrastructure for our customers, one that will support our growth and expansion in the years ahead. To further consummate our vision, we also need to respond swiftly and accurately to evolving social imperatives and to customer feedback, well informed by a solid grasp of people's needs for safety and security—tasks that rely greatly on our technological capabilities.

In April 2010, we held the first SECOM Technical Fair at our head office in Tokyo. We welcomed approximately 4,000 visitors over the three days of this event, which highlighted our technological and product development capabilities, presenting groundbreaking prototype security systems that augur the future of the security services industry in line with our vision. Looking ahead, we will hone the astuteness necessary to stay abreast of evolving social imperatives, rally our technological strengths to develop and launch advanced products and services in a timely manner and promote further market acceptance.

Overseas, we will leverage expertise accumulated in Japan to provide security services to customers in key growth markets, particularly in the PRC. Through such efforts, we will work to expand and accelerate growth in our overseas security services business.

As always, our most important task is to earn the trust of our customers. In line with our corporate message—“Providing reliable peace of mind”—we pledge to work as one to contribute to society through our business activities and to prove SECOM worthy of the trust of customers and achieve new growth. In these and all of our endeavors, we look forward to the continued support of shareholders.

June 25, 2010



Makoto Iida
Founder



Shohei Kimura
Chairman



Kanemasa Haraguchi
Executive Vice Chairman



Shuji Maeda
President and Representative Director

Makoto Iida
Founder

Shohei Kimura
Chairman

Kanemasa Haraguchi
Executive Vice Chairman

Shuji Maeda
President and Representative Director