

The SECOM logo is located in the top right corner. It consists of the word "SECOM" in a bold, sans-serif font. The letters "S" and "E" are in blue, while "C" and "M" are in teal.

## ANNUAL REPORT 2012

Year ended March 31, 2012

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

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## PROFILE

**Since its establishment in 1962, SECOM CO., LTD., has sought to develop distinctive, integrated services and convenient and comfortable, in line with its belief in the its business activities. Such efforts have enabled SECOM to**

On July 7, 2012, SECOM celebrated its 50th anniversary. Beginning with Japan's first on-line security system, SECOM has developed a wide range of systems over the years that respond promptly to changing social imperatives. These include an on-line home security system and COCO-SECOM, a mobile personal security system for outdoor use. At the same time, SECOM has worked to encourage broad acceptance of the concept of security services in Japan.

Today, the overarching mission of SECOM—comprising the parent company and the companies of the SECOM Group—is to provide safety and security for people whenever and wherever necessary. Accordingly, SECOM is pressing ahead with efforts to realize its vision for the future, the Social System Industry, which describes a framework of distinctive, integrated services and systems that make life more secure, convenient and comfortable. To this end, SECOM is leveraging its extensive business portfolio—which has expanded to include security services, fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services—to create a solid foundation for future growth, and working not only to enhance individual businesses but also to integrate services and systems, thereby yielding considerable synergies to drive future growth.

With the aim of maximizing these synergies, SECOM is promoting a new concept, dubbed "ALL SECOM," which focuses on rallying SECOM's comprehensive strengths to create distinctive packages of services and systems that encourage people to turn to SECOM with the confidence that doing so will help them resolve security and various other concerns.

SECOM has expanded into 19 countries and territories outside of Japan: Taiwan, the Republic of Korea (ROK), the People's Republic of China (PRC), Thailand, Malaysia, Singapore, Indonesia, Vietnam, the Philippines, India, the United Arab Emirates, the United Kingdom, Belgium, Sweden, Finland, Australia, New Zealand, the United States and Brazil. SECOM continues striving to further grow its operations in all of these markets.

**a pioneer in Japan's security services industry, systems that make life more secure, importance of contributing to society through achieve steady growth.**

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## SECOM's VISION



### Realizing the Social System Industry Vision

We first declared our Social System Industry vision in 1989. This vision describes a framework of distinctive, integrated services and systems that make life more secure, convenient and comfortable. Since then, we have continued working to make this vision a reality by building a broad business portfolio that now encompasses security services, fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services. We strive to combine services and systems in these businesses into distinctive packages, in line with our overarching mission, which is to provide safety and security for people whenever and wherever necessary. This approach encourages people to turn to SECOM with the confidence that doing so will help them resolve security and various other issues.

To hasten the realization of our Social System Industry vision, in 2010 we introduced the ALL SECOM concept. Under the ALL SECOM banner, we will promote cooperation among our various businesses, as well as build new synergies. To this end, we are encouraging employees everywhere to actively share information, ideas and objectives, with the aim of strengthening the SECOM Group as a whole and maximizing our comprehensive capabilities, thereby helping to achieve new growth.

### Advancing the ALL SECOM Concept

In all our efforts, we are guided by our corporate philosophy, which also governs the conduct of every SECOM employee. This philosophy emphasizes a refusal to be content with the status quo and a commitment to doing what is appropriate. The former means seeking constantly to provide innovative services and systems by challenging accepted norms, while the latter means judging the legitimacy of our actions by examining whether they are just, fair and beneficial, not to SECOM but to society as a whole. This philosophy continues to be a major driving force behind our growth and evolution.

As we press forward with efforts to grow our businesses and further broaden the scope of our business portfolio, society's expectations of us will continue to increase. By advancing the ALL SECOM concept, which is shared by everyone at SECOM, we will continue working to develop high-grade services and systems and in so doing ensure our standing as a company that makes an important contribution to society by providing comprehensive security and peace of mind. Through these efforts, we will work to encourage the unfailing loyalty of customers by further rallying our collective strengths and sharpening our competitive edge.

## FINANCIAL HIGHLIGHTS

Pursuant to the applicable Japanese law, SECOM is required to publish results in line with accounting principles generally accepted in Japan (Japanese GAAP). Key financial highlights calculated using Japanese GAAP are shown below for reference.

### U.S. GAAP

SECOM CO., LTD. and Subsidiaries Three years ended March 31, 2012	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2012	2011	2010	2012
Net sales and operating revenue	¥ 772,482	¥ 751,868	¥ 670,644	\$ 9,420,512
Operating income	78,826	100,432	97,178	961,293
Net income attributable to SECOM CO., LTD.	41,237	62,665	46,989	502,890
Total assets	1,179,824	1,171,152	1,138,147	14,388,098
Total SECOM CO., LTD. shareholders' equity	612,855	593,495	569,799	7,473,841
Per share of common stock:		In yen	In U.S. dollars	
Net income attributable to SECOM CO., LTD.	¥ 188.97	¥ 287.41	¥ 215.51	\$ 2.30
Cash dividends	90.00	85.00	85.00	1.10
SECOM CO., LTD. shareholders' equity	2,807.77	2,722.08	2,613.34	34.24

Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of ¥82=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2012.

2. Net income attributable to SECOM CO., LTD. per share of common stock is based on the average number of shares outstanding during each period, less treasury stock.
3. SECOM CO., LTD. shareholders' equity per share of common stock is based on the number of shares outstanding at the end of each period, less treasury stock.
4. Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2012, cash dividends of ¥90.00 per share were approved at the general shareholders' meeting held on June 26, 2012 (see Note 18 of the accompanying Notes to Consolidated Financial Statements).

**Net income attributable to  
SECOM CO., LTD. (U.S. GAAP)**  
(In billions of yen)



Note: Net income attributable to SECOM CO., LTD. in the year ended March 31, 2012, fell ¥21.4 billion, to ¥41.2 billion, as the Company wrote down real estate inventories in light of dwindling demand in the condominium market, which prompted a dramatic reorganization of its related business, while flagging economic conditions resulted in the recognition of an impairment loss on long-lived assets, principally real estate.

Net income attributable to SECOM CO., LTD. in the year ended March 31, 2011, rose ¥15.7 billion, to ¥62.7 billion. This result primarily reflected operating income in the real estate development and sales segment, compared with an operating loss in the previous period, and a gain on private equity investments, compared with a loss in the previous period.

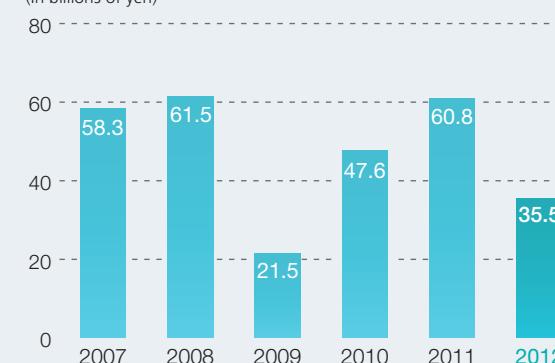
Net income attributable to SECOM CO., LTD. in the year ended March 31, 2010, increased ¥16.4 billion, to ¥47.0 billion. Principal factors behind this result were decreases in loss on other-than-temporary impairment of investment securities and operating loss in the real estate development and sales segment.

### Japanese GAAP

SECOM CO., LTD. and Subsidiaries Three years ended March 31, 2012	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2012	2011	2010	2012
Revenue	¥ 679,173	¥ 663,887	¥ 654,678	\$ 8,282,598
Operating profit	81,078	99,141	98,539	988,756
Ordinary profit	87,839	109,674	98,327	1,071,207
Net income	35,489	60,846	47,611	432,793
Total assets	1,101,884	1,094,400	1,081,679	13,437,610
Total net assets	671,517	654,055	625,153	8,189,232
Per share of common stock:		In yen	In U.S. dollars	
Net income	¥ 162.63	¥ 279.07	¥ 218.37	\$ 1.98
Cash dividends	90.00	85.00	85.00	1.10
Net assets	2,785.56	2,716.35	2,561.94	33.97

Note: Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2012, cash dividends of ¥90.00 per share were approved at the general shareholders' meeting held on June 26, 2012.

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



## A MESSAGE TO SHAREHOLDERS

**Having positioned the fiscal year ending March 31, 2013, as the first year of with efforts to realize our Social System Industry vision, thereby ensuring doing so will help them resolve security and other concerns.**



Makoto Iida  
Founder

### Consolidated Operating Results

Despite signs of a gradual recovery from the temporary lull in economic activity that followed the Great East Japan Earthquake, which struck in March 2011, prospects for the Japanese economy remained uncertain throughout the fiscal year ended March 31, 2012, owing to a host of factors, including the European sovereign debt crisis, rising oil prices, the appreciation of the yen and deflation.

In this environment, we continued working toward the realization of our Social System Industry vision by responding to the needs of customers through the provision of high-grade services and systems in our security services segment, as well as in our other segments: fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services. We also pressed forward with efforts to promote the ALL SECOM concept, which emphasizes cooperation among our various independent businesses to strengthen the Group as a whole with a view to hastening our advance to a new stage of growth.

Consolidated net sales and operating revenue for the period under review rose 2.7%, or ¥20.6 billion, to ¥772.5 billion. This result reflected higher net sales and operating revenue in the security services segment—due to increases in revenue from subscriptions for our core electronic security services and in sales of merchandise—as well as in the medical services, geographic information services and fire protection services segments. Operating income declined 21.5%, or ¥21.6 billion, to ¥78.8 billion, as we wrote down real estate inventories in light of dwindling demand in the condominium market, which prompted a dramatic reorganization of our related business, while flagging economic conditions resulted in the recognition of an impairment loss on long-lived assets, principally real estate. Owing mainly to the decline in operating income, net income attributable to SECOM CO., LTD., fell 34.2%, or ¥21.4 billion, to ¥41.2 billion.

### Distribution of Dividends

Recognizing the provision of a fair return to shareholders as a crucial management task, we set consolidated dividend levels based on an overall assessment of trends in our consolidated operating performance, in line with our policy of ensuring a consistent, stable distribution of profits. At the Ordinary General Meeting of Shareholders, held on June 26, 2012, management proposed and shareholders approved the payment of annual cash dividends of ¥90.00 per share, the same as in the previous fiscal year.

### Understanding Change and Responding with New Products and Services

Increasingly diverse and sophisticated needs for security and peace of mind—a consequence of changes in the social fabric and in peoples' lifestyles—continue to drive growth in the security services market. Other factors influencing security needs include social infrastructure-related issues and business continuity risks, both revealed to a devastating degree by the Great East Japan Earthquake. We continue to provide service systems that respond to evolving social imperatives, changing patterns of criminal behavior, technological progress and efforts to improve the social infrastructure to deliver greater security and peace of mind. At the same time, we acknowledge the importance of developing new service systems that maximize our ability to contribute to society through our business activities.

**a new stage of growth, we continued to press forward customers can turn to SECOM with the confidence that**

In the security services business, we continued to introduce new systems in the period under review with the aim of cultivating new subscribers and of offering existing subscribers higher levels of security. Capitalizing on the lessons of the Great East Japan Earthquake, we launched SECOM Home Security G-Custom, an advanced new residential security system that combines features of our popular SECOM Home Security system with, among others, a storage service for important personal data and My Page, a customized user information page that includes information from selected collaborating companies. We also reinforced our sales capabilities for security services designed for rental apartments, a sector that is seeing growth in demand. Other new offerings that maximize the comprehensive capabilities of the SECOM Group include SECOM Remote Monitoring for Seniors, which brings together on-line security services, medical services and SECOM Home Service to help safeguard the safety and wellbeing of seniors living apart from relatives. In addition, we took steps to reinforce our meticulous basic approach, whereby sales personnel visit each commercial and home security service subscriber in person, thus enabling us to accurately interpret needs and expectations and propose the most appropriate products and services from our extensive lineup and enhance customer satisfaction.

On another front, in an effort to integrate our security services and related installation and maintenance businesses, as well as to enhance our ability to provide optimal services to customers, in July 2011 we absorbed consolidated subsidiary Secom Techno Service Co., Ltd., a provider of on-line security system installation and maintenance services.

Overseas, the acquisition of a local firm facilitated our entry into the New Zealand security services market, while in the United Kingdom we took steps to increase subscriptions by financial institutions. In the rapidly developing economies of the PRC and Southeast Asia, efforts to encourage broad acceptance of SECOM-style security services contributed to the expansion of our subscriber base. "SECOM-style security services" is a term used to describe comprehensive security services that encompass installing security equipment at the subscriber's premises and providing around-the-clock monitoring from a SECOM control center, as well as promptly dispatching highly trained emergency response personnel should an irregularity be detected. To accelerate efforts to expand our overseas operations, in December 2011 we established the International Business Headquarters, which is charged with coordinating overseas operations across the Group, as well as with promoting the sharing of management resources and expertise among all our overseas businesses, including security services, fire protection services and geographic information services, to further strengthen our capabilities in overseas markets.

Guided by our vision for the future—the Social System Industry—we also implemented key measures in areas other than security services. In the fire protection services business, consolidated subsidiary Nohmi Bosai Ltd., Japan's leading provider of such services, continued working to provide high-grade automatic fire alarm systems, fire extinguishing equipment and other fire protection systems that suit the requirements of customers.

In the medical services business, we pressed ahead with efforts to enhance our services for seniors, including taking steps to increase occupancy in recently opened residences for seniors and expanding our network of day service facilities for seniors. We also sought to reinforce our home medical services. Ahead of changes to the nursing care insurance system in Japan in April 2012, we established SECOM Home Health Care Center Kugayama, which provides a full range of services combining conventional home nursing with home personal care.



Shohei Kimura  
Chairman



Shuji Maeda  
President and Representative Director

## A MESSAGE TO SHAREHOLDERS

Efforts in our insurance services business focused on marketing our distinctive non-life insurance policies. These include the Security Fire Discount Policy, a fire insurance policy for commercial premises, and SECOM *Anshin* My Home, a comprehensive fire insurance policy for homes, both of which offer discounts for subscribers with on-line security systems, recognizing the risk-mitigating nature of such systems. We also expanded efforts to market SECOM *Anshin* My Car, a comprehensive automobile insurance policy that includes access to on-site support services provided by our emergency response personnel, and MEDCOM, an unrestricted cancer treatment policy that extends coverage for all treatment costs.

In geographic information services, we offer geospatial information services that make use of advanced measuring devices and technologies. We also collect and process high-resolution data from satellites and other sources, which we combine with other crucial information to meet customers' needs in such areas as map preparation, environmental monitoring, firefighting and disaster mitigation.

Our real estate development and sales business continued to emphasize the development and sale of condominiums with sophisticated security and contingency planning features.

In the information and communication related and other services business, we focused on providing wide-ranging information and network services, which encompass information security services, the construction and operation of business systems and assistance in preparing for large-scale disasters. New offerings included the Total Support Service of Emergency Management, which leverages the comprehensive strengths of the Group to assist companies in formulating business continuity plans (BCPs). The period under review also brought an increase in subscriptions for Secure Data Center services from companies seeking to develop or improve BCPs.

### **Advancing to a New Stage of Growth: ALL SECOM**

Our Social System Industry vision depicts a framework of distinctive products and services—both individually and in tailored packages—that deliver security and peace of mind and help make life more secure, convenient and comfortable. One recent measure taken to hasten the realization of this vision was the introduction and promotion of the ALL SECOM concept. ALL SECOM emphasizes advancing cooperation among our various businesses to anticipate and respond swiftly to evolving social imperatives by developing service systems worthy of our customers' trust.

The fiscal year ending March 31, 2013, marks the 50th anniversary of SECOM's founding. We have positioned this year as the first year of a new stage of growth. To drive this growth, in our mainstay security services business we will launch next-generation on-line security systems that deliver a higher level of security than ever before, as well as such offerings as the Walkthrough Face Recognition System, a distinctive access control system that works by automatically constructing a 3D image of each individual from a registered photograph of the person's face, and a next-generation surveillance camera system that sends images recorded by surveillance cameras to one of our Secure Data Center facilities for storage.

In fire protection services, in April 2012 we acquired a 100% stake in LIXIL NITTAN Co. Ltd., which was subsequently renamed Nittan Co., Ltd. This move reflected our belief—arising from lessons learned in the wake of the Great East Japan Earthquake—that we must expand the scope of our fire protection services beyond the provision of systems aimed at minimizing the impact of fires on structures, to offer broad-based disaster mitigation services. Coordinating the operations

of SECOM and domestic fire protection market leader Nohmi Bosai with those of Nittan, Japan's third-largest provider of fire protection services, will position us well to rise to the challenge of developing next-generation fire and disaster protection systems that will safeguard both premises and people even in the event of a major catastrophe.

One of the principal themes influencing our domestic business development in the years ahead will be the rapid aging of Japan's population. Particularly promising new offerings include the launch of SECOM Remote Monitoring for Seniors, which takes full advantage of Group management resources, and *Seikatsu Tasuke*, a comprehensive lifestyle support service provided through a joint venture with a top building materials and housing equipment manufacturer. Going forward, we will continue to devote considerable efforts to developing a wide range of uniquely SECOM services that anticipate and respond to the future needs of an aging society.

With operations in 19 countries and territories outside of Japan, we will also actively promote the ALL SECOM concept overseas, encouraging our various businesses to work together to capitalize on new opportunities in key global markets. In security services, we will expand the provision of SECOM-style on-line security systems, customized to reflect local needs and cultural sensibilities, through local partners, firms acquired through M&A deals and joint ventures. In medical services, we proceeded with plans for the construction of a seniors' residence in Shanghai, which has seen a sharp increase in the number of seniors in its population, symbolic of the overall demographic trend in the PRC. We expect the new facility to open its doors in 2015. Additionally, in India, which lacks medical facilities in many areas, we established a hospital management company in cooperation with a Japanese trading company and a local firm. The company is scheduled to open a hospital in Bangalore in Spring 2013.

Our 50th anniversary, while an occasion for celebration, is merely a transit point. Guided by the ALL SECOM concept, we will continue working to provide services and systems that respond to customers' needs for greater security and peace of mind, encouraging them to turn to SECOM with the confidence that doing so will help resolve security and other concerns. Through such efforts, we will move ever closer toward the realization of our Social System Industry vision. At a recent event held to celebrate our first half century, many customers expressed high hopes for greater security and peace of mind in the near future as envisioned under the ALL SECOM concept.

As always, our ability to earn the trust of customers will depend on our ability to respond to their expectations. In line with our corporate message—"Providing reliable peace of mind"—we pledge to work as one to advance to a new stage of growth. We look forward to the ongoing support of all our shareholders in these and all of our endeavors.

June 26, 2012

Makoto Iida  
Founder

Shohei Kimura  
Chairman

Shuji Maeda  
President and Representative Director

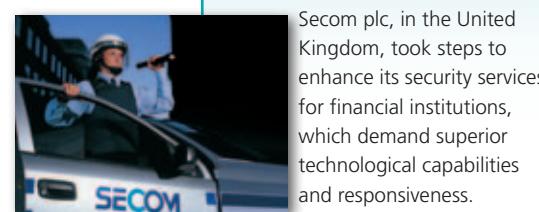
## STRATEGIC HIGHLIGHTS

### Services begin in New Zealand

In New Zealand, we acquired a new subsidiary, subsequently renamed Secom Guardall NZ Ltd. that boasts an overwhelming share of the local market for security services for major financial institutions and retail chains. Today, Secom Guardall NZ is leveraging a broad service menu—which combines its specialized maintenance and inspection services with our distinctive on-line security systems—and the extensive subscriber base it shares with neighboring Secom Australia Pty. Ltd., to promote the broad acceptance of SECOM-style security services.



### U.K. subsidiary acquires provider of security services for financial institutions



Secom plc, in the United Kingdom, took steps to enhance its security services for financial institutions, which demand superior technological capabilities and responsiveness.

### Total Support Service of Emergency Management is launched

Capitalizing on the comprehensive strengths of Group companies in this field, we launched Total Support Service of Emergency Management, which encompasses assistance with the formulation of BCPs and, in the event of a disaster, full support at the time of occurrence, prompt initial response services and help with recovery.

### SECOM Remote Monitoring for Seniors is introduced

In response to rising demand for services that help monitor the safety and wellbeing of seniors living alone and respond appropriately when needed, we introduced SECOM Remote Monitoring for Seniors, which enables subscribers to bundle services provided by Group companies Secom Medical System Co., Ltd. and Secom Home Service Co., Ltd. with an alarm system that alerts a SECOM control center in the event of a problem.

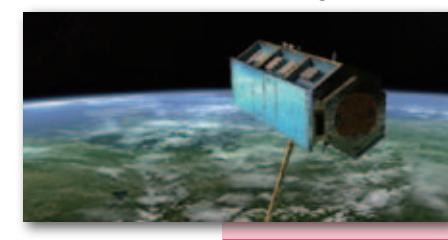


### SECOM Home Health Care Center Kugayama is established

Located in Suginami-ku, Tokyo, this facility provides a full range of services that combine conventional home nursing with home personal care, in cooperation with community medical care facilities.

### Corporate organization is revised

With the aim of integrating and streamlining security and related services, we absorbed security and equipment installation and maintenance subsidiary Secom Techno Service Co., Ltd.



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### Pasco secures rights to distribute image data from the Pléiades high-resolution optical satellite

Subsidiary Pasco Corporation secured rights to send requests directly to Pléiades, a French high-resolution observation satellite, as well as to receive image data directly from the satellite for sale to its customers. Focusing on the impact of disasters and environmental change, Pasco will continue working to swiftly acquire and provide satellite image data, as well as to reinforce its operating foundation, with the aim of expanding its satellite image-based geospatial information business.

### Sales of SECOM Home Security G-Custom begin

This convenient new residential security system combines features of SECOM Home Security, which emphasizes crime prevention and fire protection, with data storage for important personal data and information on services offered subscribers by Group companies and other selected providers, among others.



### Next-generation on-line security system is developed

By leveraging our sensor, image recognition and personal identification technologies, as well as our remote monitoring expertise, we developed a new on-line security system that eliminates the need for someone to manually turn the system on and off, thus facilitating around-the-clock monitoring whether or not anyone is on the premises.



April

### Nittan joins the SECOM Group

Reflecting our belief—arising from lessons learned in the wake of the Great East Japan Earthquake—in the need to urgently develop next-generation fire and disaster protection systems, as well as to accelerate our cultivation of overseas markets, we acquired Japanese fire protection services firm LIXIL NITTAN, which was subsequently renamed Nittan, thereby reinforcing our fire protection business.

### Next-generation surveillance camera system is developed

Given expanding needs for surveillance camera systems and telecommunications infrastructure improvements, we took advantage of our accumulated know-how in security services and information security to develop a next-generation surveillance camera system. With this system, camera images are stored at a Secure Data Center, eliminating the need for subscribers to have their own image storage equipment.

2011

March

June

June

July

September

November

November

December

January

March

April

2012

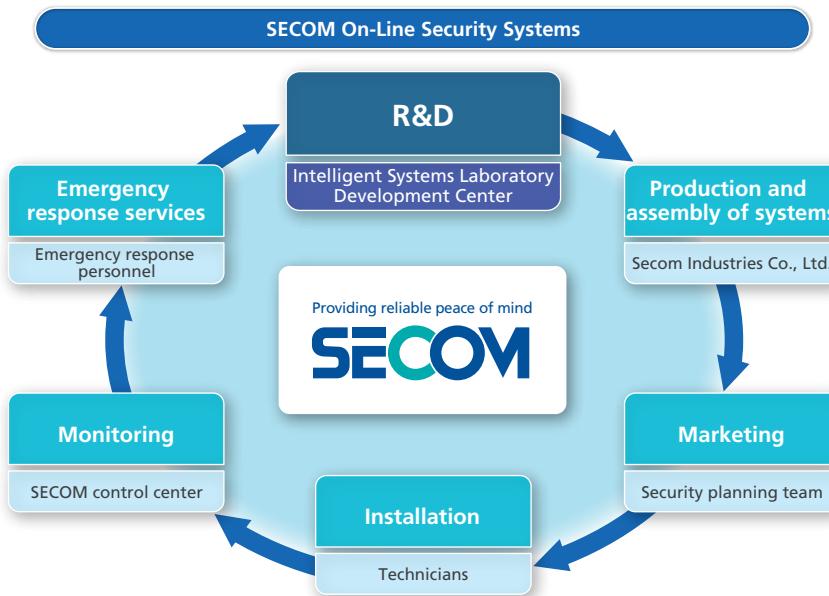
### Company is established to offer comprehensive lifestyle support services

In April 2012, Kurashi-TEL Co., Ltd., began offering Seikatsu Tasuke, a comprehensive suite of lifestyle support services, in major urban areas. These services encompass everything from assistance in resolving minor concerns that arise in everyday life to the development of forward-looking plans that help ensure worry-free lifestyles, all of which can be accessed simply by telephoning the company's call center.



## Reinforcing Competitive Advantages and New Growth

**SECOM on-line security systems include the dispatch of emergency response personnel, a feature that earns high marks from subscribers in Japan and overseas.**



### ► Comprehensive On-Line Security Systems

Our on-line security systems encompass the placement of sensors at subscribers' premises, around-the-clock monitoring from a SECOM control center via telecommunications circuits and the dispatch of emergency response personnel from the nearest emergency depot in the event the sensors detect an irregularity. If necessary, the SECOM control center also notifies the police and/or fire departments.

This inclusive approach differs significantly from that of security service providers based in Europe and the United States, where on-line security services exist but do not as a rule include emergency response services. Moreover, European and U.S. on-line security services providers are generally specialized,

meaning one company manufactures equipment, while another is responsible for installation and yet another handles monitoring.

Our insistence on providing emergency response services, as well as equipment installation and monitoring, reflects our deeply held belief that only by thus guaranteeing subscribers' safety can we honestly claim to be providing security. Appreciation for a distinctive approach, as well as for our lineup of high-grade on-line security systems backed by emergency response services, continues to grow not only in Japan, but also in overseas markets. Today, we are the world's leading provider of such on-line security systems in terms of subscriber base.

Our ability to offer high-grade security services reflects our commitment to

offering comprehensive on-line security systems, whereby we take full responsibility for everything from R&D to equipment manufacturing, sales, security planning, installation, around-the-clock monitoring, emergency response services and maintenance. This scheme enables us to maintain control over all aspects of our services, underpinning both our reputation for reliability and the potency of the SECOM brand and ensuring consistent excellence.

We have also built a distinctive R&D organization. The Intelligent Systems Laboratory conducts research in the area of core technologies, while the Development Center applies these technologies to the development of new security systems. This configuration enables us to swiftly and accurately incorporate feedback from customers into the development process, further enhancing quality.

To facilitate around-the-clock monitoring and emergency response services, we design systems that merge the speed and accuracy of sensors in detecting irregularities and communications equipment transmitting information with the analytical skills and capacity for prompt decision-making and quick action of humans. In particular, we strive to maximize our accumulated experience, reflected in the swift decision-making capabilities of SECOM control center staff and the fast reactions of our highly trained emergency response personnel. Another key factor behind our ability to respond swiftly and accurately is our nationwide network of emergency depots—the most extensive network of any security services company in Japan. This combination of human and technological capabilities is what ensures our ability to provide a full range of security solutions that are a cut above the competition.

Just as crucial to our ability to provide comprehensive on-line security systems is the training and management of human resources. Four SECOM training centers in Japan conduct training for domestic emergency response personnel and for individuals in sales and administrative positions, transmitting knowledge as well as techniques and instilling awareness of our corporate philosophy and the code of conduct that our employees, as security professionals, are required to observe. The effectiveness of training is thus equally crucial to our ability to provide high-grade services.

To make SECOM on-line security services available to an ever-greater number of customers, we recognize the need to offer optimal prices. To this end, we retain ownership of security equipment, which we rent—rather than sell—to subscribers. As a consequence, initial costs for subscribers are lower than would otherwise be the case. The rental format also allows us to take responsibility for maintenance and upkeep, ensuring prompt replacement should a unit malfunction or when an upgrade is needed, thus enabling us to guarantee the quality of our services.

"SECOM-style" is a term used worldwide to describe security services that encompass emergency response services. One reason for this is the fact that since launching overseas in 1978, we have sought to customize our services to reflect local needs and cultural sensibilities. We currently offer SECOM-style on-line security services in 11 countries and territories other than Japan and will continue to promote recognition of our distinctive approach in markets around the world.

## Efforts to realize our Social System Industry vision are backed by innovation and solid R&D capabilities

### ► R&D facilities that enable us to respond promptly to the needs of subscribers

R&D plays an essential role in enhancing our comprehensive on-line security systems, with insights from frontline employees and feedback from subscribers obtained through day-to-day sales and service activities incorporated fully into R&D efforts, thus ensuring that both equipment modifications and newly developed systems respond to customers' needs.

Our R&D organization is anchored by the Intelligent Systems Laboratory, which conducts research in the area of core technologies, and the Development

Center, which is responsible for the timely development of highly reliable equipment and systems that leverage these technologies. Our emphasis on R&D reflects our recognition of technological capabilities as a crucial management resource that gives us a key competitive advantage in the security services market.

Since our establishment, we have sought to keep abreast of social trends, patterns of criminal activity and technological advances, thereby ensuring our ability to develop and market a broad range of systems that are needed and welcomed by society. One example of such a system is our on-line image



The Intelligent Systems Laboratory's broad focus ranges from physical security to medical care and social welfare services.



The Development Center conducts development in line with SECOM's own stringent standards.

## Reinforcing Competitive Advantages and New Growth

recognition system, SECOM AX. Japan's first such system, SECOM AX uses sophisticated on-site image sensors that enable it to detect and capture images, even if the premises are in darkness, and record sound. Should an irregularity be detected, SECOM AX transmits images and sound to a SECOM control center. Our image recognition technology is also employed in SECOM IX, our remote imaging security system for commercial facilities offering around-the-clock services; SECOM Robot X, an outdoor patrol robot; and the Intelligent Emergency Alert System, which automatically detects intruders or other suspicious circumstances and transmits images and audio without the need for anyone to press a button.

Going forward, we will continue to draw on our outstanding technologies to develop and market systems that respond swiftly and effectively to customers' needs, as we press forward toward the realization of our Social System Industry vision.



SECOM AX on-line image recognition system



SECOM AX

**Having positioned fiscal 2012 as the first year of a new stage of growth under the banner of ALL SECOM, we are seeking to redefine perceptions of safety and peace of mind**

### ► Rallying Group capabilities

To drive forward the consummation of our Social System Industry vision, we have positioned the year ending March 31, 2013, as the first year of a new stage of growth under the banner of ALL SECOM and are seeking to redefine perceptions of safety and peace of mind. The aim of the ALL SECOM concept is to go beyond the barriers separating our various businesses, enabling us to offer new services and systems that respond to evolving social imperatives as well as the expectations of customers.

We are also advocating cooperation among the companies of the Group to encourage mutual understanding and strengthen the Group as a whole. With these objectives in mind, we recently established the ALL SECOM Promotion Department. The new department is charged with formulating strategic measures and proposals that will help us provide far-reaching security and peace of mind.

One outcome of these initiatives is Total Support Service of Emergency Management, which rallies the diverse strengths of our security services, fire protection services, geographic information services, and information and communication related and other services, combining the BCP support services previously provided independently by these various businesses in a single, inclusive system. We also introduced SECOM Remote Monitoring for Seniors, which bundles security services, SECOM Home Service and medical services into a convenient package designed to help protect the wellbeing of seniors.

In addition, we have brought together services from our real estate development and sales business and our medical services business to create a system that gives individuals who have purchased condominiums in our Glorio Roka-koen condominium complex priority access later in life to rooms in one of our residences for seniors or care homes. This system is operated by our medical services business, with the aim of offering peace of mind in a manner that suits the life stage of the subscriber. As these new offerings show, our efforts to encourage collaboration among our various businesses on various fronts have begun to yield solid results.

Looking ahead, we will continue doing our utmost under the ALL SECOM banner to create new services and systems that meet changing customers' needs.

Guided by the ALL SECOM concept, we will remain committed to providing comprehensive services that ensure our customers see us as a partner they can turn to at any time for solutions that will remove sources of unease and deliver security and peace of mind. In so doing, we will strive to reinforce our foundation for growth.



SECOM image monitoring center

## **ALL SECOM: The future of security and peace of mind**

### ▶ Proposing solutions for security and peace of mind in the years ahead

With a view to promoting future growth, we recently held the ALL SECOM-themed SECOM Fair 2012, a major event with exhibits representing our vision, our outlook for security and peace of mind in the future and the appreciation we feel for our customers. Planned as part of the celebrations for our 50th anniversary, the fair visited five cities in Japan, welcoming tens of thousands of visitors in each location.

In line with the ALL SECOM theme of the SECOM Fair 2012, the fair's focus

was not limited to security services, but also introduced systems and services related to 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. These exhibits, which sought to give visitors a glimpse of how we will contribute to society in the years ahead, included futuristic security systems that evoke our desire to help free society of crime, as well as next-generation fire and disaster protection systems and medical services ranging from everyday healthcare to

emergency medicine and medical care for seniors, an increasing concern in today's aging society.

Going forward, we pledge to devote our utmost efforts to responding effectively to the expectations of customers, as well as to achieving further growth.



Ceremonial tape cutting marking the opening of the ALL SECOM-themed SECOM Fair 2012 in Tokyo



Presentation on SECOM's projections for security services in the near future

## Commercial Security Services

Drawing on our advanced technologies and our wealth of expertise, we continue to actively promote the development of innovative security systems.





SECOM control center

### Changing the game: Our newly developed next-generation on-line security system

Traditionally, security systems have been seen as systems that are installed in places requiring protection and that need to be turned on and off at designated times or as needed. In the case of a company, such systems are generally turned off during operating hours, while in a house they are turned off when occupants are at home.

However, recent years have seen an increase in break-ins even when people are on the premises, sparking greater demand for security systems that are continuously in operation. In response, we recently developed a next-generation on-line security system that essentially redefines the purpose of security systems by eliminating the need for turning

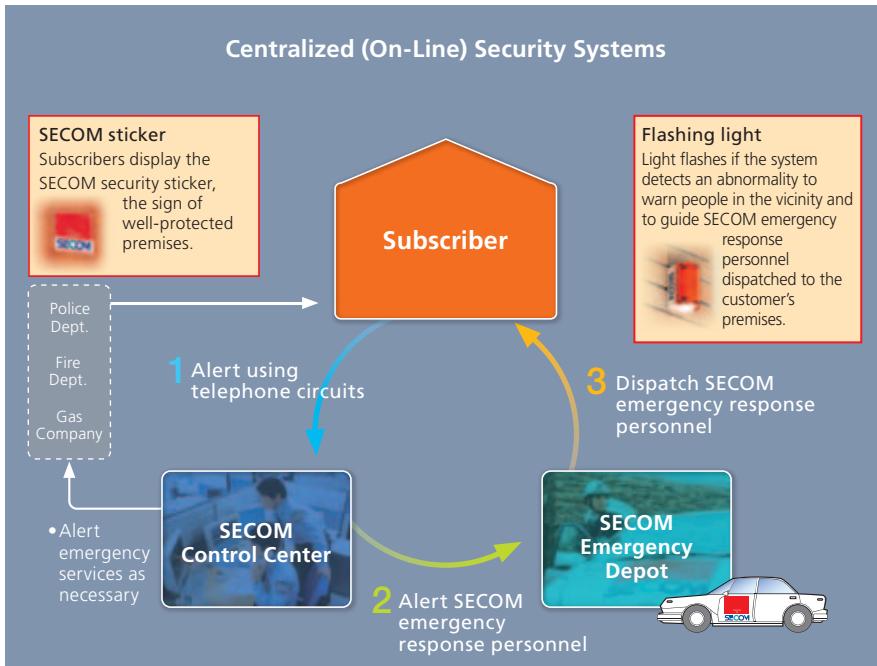
on and off and remaining on full alert around the clock.

In addition to image recognition technologies developed for SECOM AX, a next-generation on-line security system leverages sensing technologies employed in Laser Sensor, an external monitoring system that uses lasers and automatically resets the monitoring range when necessary, and authentication technologies used in the SECOM Active IC Tag System, an access control system. The system, which emphasizes external monitoring, also benefits from our operational expertise in the area of remote monitoring for on-line security systems.

The system involves installing an external image sensor—an integrated unit featuring a camera and a sensor—outside the subscriber's place of business or home. Individuals with

authority to enter—employees or family members, for example—carry IC tags for authentication when they come and go. The external image sensor provides around-the-clock monitoring to detect unauthorized entry. When an individual carrying an IC tag enters, the system reads the data from the tag and authorizes entry. Conversely, when someone without an IC tag attempts to enter, the system assumes an intrusion and immediately alerts a SECOM control center, transmitting an emergency signal and images taken by the external sensor. The system thus provides security around-the-clock, regardless of whether anyone is on the premises, a marked departure from conventional on-line security systems, which are turned on and off as needed and only provide security when they are on.

## Commercial Security Services



SECOM's next-generation on-line security system operates around the clock.

Our next-generation on-line security system is particularly appropriate for premises where access is limited to some degree, including warehouses, factories, research facilities, dams, electric power generating facilities, social welfare-related facilities and detached houses. Looking ahead, we are confident that this system will help redefine the purpose of security systems.

### Debut of next-generation surveillance camera system with remote image storage function

Conventional surveillance camera systems require the installation of surveillance cameras and a hard disc drive to store images taken of the subscriber's shop, office or other commercial premises. The growing popularity of surveillance camera systems has also brought an increase in issues, such as recording failures—a result of subscribers

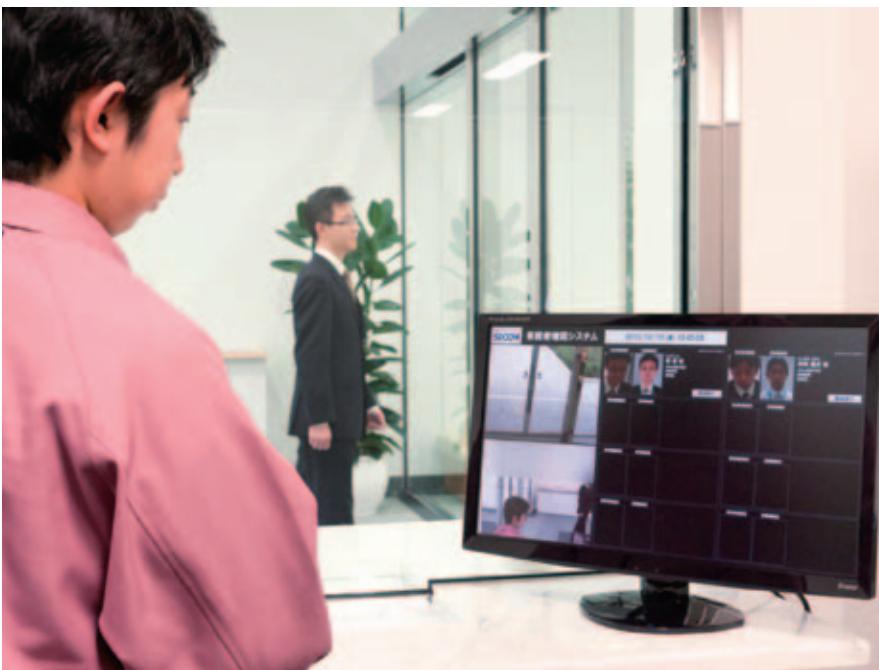
forgetting to turn systems on or setting them incorrectly—and frustration with the need to regularly replace hard disc drive parts that wear out. In response, we developed a next-generation surveillance camera system that stores camera images at a Secure Data Center, eliminating the need for subscribers to have their own image storage equipment. Additionally, this system improves safety by alleviating concerns over theft or illicit manipulation of image storage devices. With no hard disc drive needed, the system is a space saver. Customers may also opt to install a hard disc drive, facilitating real-time access using a smartphone or computer whenever and from wherever the subscriber is. This format thus greatly enhances security, peace of mind and convenience for subscribers who own or manage several premises.

Our next-generation surveillance camera system is a uniquely SECOM

system that makes use of our proprietary advanced security network, and capitalizes on our extensive expertise in on-line security systems and information security. We will continue working to respond to expanding demand for surveillance camera systems by keeping abreast of evolving needs and infrastructure changes.

### Stereoscopic Walkthrough Face Recognition System developed

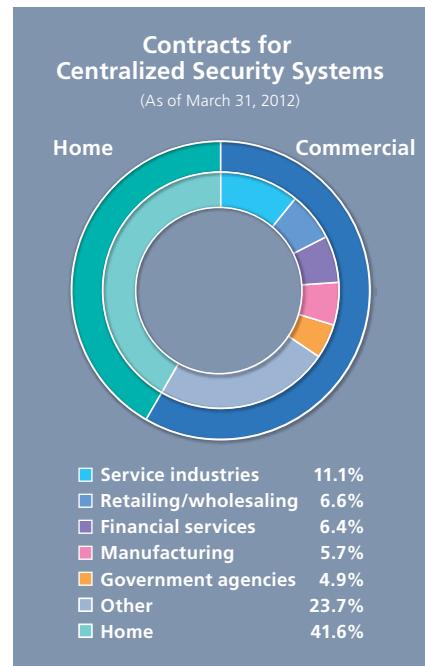
In recent years, the leakage of personal information has become an increasingly widespread problem, spurring needs for effective biometric control systems. Since launching SESAMO ID, Japan's first fingerprint-based access control system, we have devoted considerable effort to research in biometric control systems based on facial recognition. To date, drawbacks with facial recognition systems have included the fact that



SECOM's Walkthrough Face Recognition System incorporates advanced technologies.

individuals must stand still or directly face a dedicated camera. Responding to perceived need, the Intelligent Systems Laboratory has pushed for the development of facial recognition systems that use surveillance cameras to control access, enabling individuals to proceed in a normal fashion, rather than having to follow specific procedures. In the period under review, these efforts yielded the Walkthrough Face Recognition System, which incorporates image processing technologies that build on those employed in such offerings as SESAMO ID, SECOM AX and SECURIFACE, a residential intercom system with a face detection function.

The Walkthrough Face Recognition System works by automatically constructing a 3D image of each registered individual from a single photograph of his or her face, enabling it to easily accommodate natural variations in



features and posture—something not possible with existing facial recognition systems—and authenticate people as they walk past. The Walkthrough Face Recognition System can process approximately 60 individuals per minute, allowing it to function effectively during high-traffic periods, such as the beginning and the end of the workday. Easy hands-free operation means the system is suitable for access control and crime prevention applications. Going forward, we will continue working to develop and commercialize highly reliable, easy-to-use systems that respond to increasingly diverse and sophisticated security needs.

## Home Security Services

To provide greater security, peace of mind and convenience for homeowners and renters, we continue to offer a variety of residential security services and systems, centering on the growing SECOM Home Security system.



### Redefining home security: The newly launched SECOM Home Security G-Custom

Since first introducing our residential home security system in 1981, we have expanded and modernized the system's capabilities in response to evolving social imperatives and lifestyles, as well as to changing patterns of criminal activity.

SECOM Home Security comprises sensors and other security equipment, which are installed in and around subscribers' homes, providing around-the-clock monitoring for intruders, fires and gas leaks and sending out alerts and emergency signals when required. In the event an irregularity is detected, the system alerts a SECOM control center, where staff respond by assessing the situation, dispatching emergency response personnel and if necessary

notifying the police and/or the fire department.

With the aim of not only providing security and peace of mind for homeowners, but also enhancing convenience, we recently launched SECOM Home Security G-Custom, an advanced system that draws on lessons taken from the Great East Japan Earthquake, including the necessity of safe storage for important data. SECOM Home Security G-Custom combines features of SECOM Home Security with, for example, a storage service that enables subscribers to entrust key data—such as family photographs and contact information for family members and relatives, as well as photographs of health insurance cards, drivers' licenses and information on prescription medications taken using the camera built into

the system's home controller—to us for storage at a Secure Data Center. Other services include My Page, a customized information page that displays information from selected collaborating companies on services available to subscribers, on the system's home controller; a data sharing service that enables subscribers to share photographs and messages among SECOM Home Security G-Custom subscribers; a memo service whereby short memos can be recorded and displayed on the home controller and confirmed via e-mail to registered mail addresses; and an ALL SECOM function, which enables subscribers to sign up for a variety of other SECOM services using the home controller.

We will continue working to advance the adoption of SECOM Home Security



SECOM Home Security G-Custom's touch screen ensures easy operation.



SECOM Remote Monitoring for Seniors

G-Custom among existing and potential home security system subscribers. In doing so, we will strive to deliver high-grade services and provide greater security, peace of mind and convenience for homeowners.

**New SECOM Remote Monitoring for Seniors combines security, lifestyle support and medical services**  
This service is the outcome of a request from a Japanese trading company for a system that would help relieve the concerns employees posted overseas have about the everyday needs and health of elderly parents left behind in Japan. In response, the ALL SECOM Promotion Department bundled security services, SECOM Home Service and medical services to create SECOM Remote Monitoring for Seniors, a

convenient package of services designed to help protect the wellbeing of seniors.

Security services provided as part of SECOM Remote Monitoring for Seniors center on emergency alert services. Lifestyle support services include assistance with basic housework, provided by SECOM Home Service staff. Medical services include regular checks by staff of a SECOM nurse center, who call the family members regularly and report back to the subscriber. By providing helpful support to elderly family members who may live alone or require nursing care, this system ensures peace of mind for individuals receiving support, as well as for subscribers. SECOM Remote Monitoring for Seniors has attracted a diverse range of subscribers, including companies that have significant numbers of employees posted

overseas or otherwise living far away from elderly parents.

Owing to the rapid aging of Japan's population and the growth of the nuclear family, we expect to see greater demand for such services in the years ahead. Accordingly, we will continue to expand efforts to market SECOM Remote Monitoring for Seniors.

#### **Responding to demand for security services for multifamily dwellings**

Until recently, very few multifamily dwellings in Japan, including rental apartments, had security systems. However, with the number of seniors living alone on the rise, the need for home security systems for multifamily dwellings to help prevent crimes and fires is growing. With this in mind, we launched SECOM AS, a home security

## Home Security Services



SECOM AS, a home security system designed especially for small-scale multifamily dwellings



Subscribers to SECOM Home Security can seek the advice of SECOM home nurses on health-related matters.



SECOM emergency response personnel are dispatched promptly in the event of an irregularity.

system developed for small-scale (30 units or less) multifamily dwellings that helps provide peace of mind for occupants. Security by SECOM is a distinction that also offers significant benefits to building owners, enhancing appeal to potential renters, a factor that helped to drive up subscriptions to SECOM AS.

Recently, we expanded our lineup for the rental housing market by introducing SECOM Security R, a security system developed especially for rental complexes built by major Japanese housing developers. Being able to advertise units fitted with SECOM Security R has helped such companies attract single women and other potential renters for whom security systems are a particularly important consideration. With demand

for security systems for multifamily dwellings continuing to grow, we are taking steps to reinforce our marketing capabilities in this important market.



We are actively promoting both the SECOM AED Package Service and the SECOM On-Line AED Management Service. COCO-SECOM continues to find new and more diverse applications.



SECOM AED Package Service

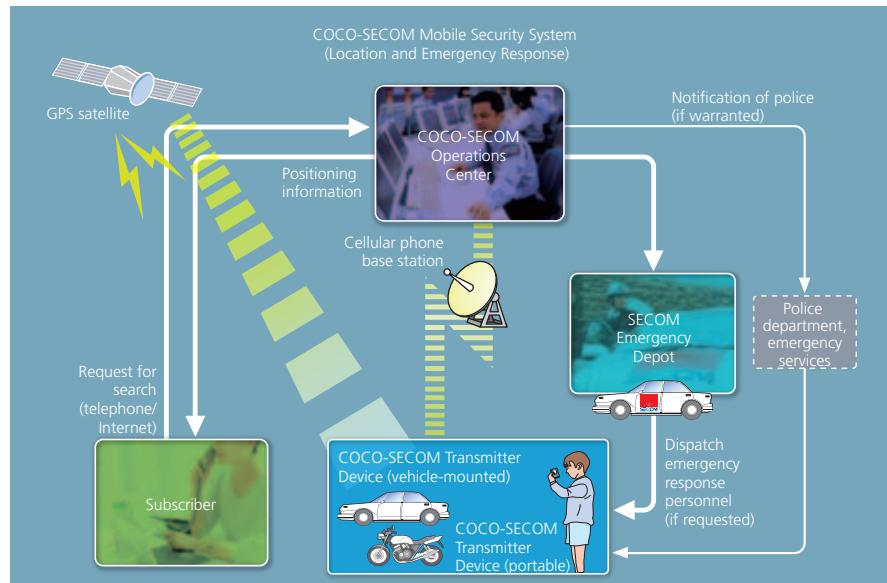


COCO-SECOM

#### SECOM AED Package Service: Helping to save lives

We currently offer SECOM AED Package Service, a full-service AED rental package. The rental format means that we are responsible for providing batteries and other expendables and servicing or replacing in the event of malfunction or theft, thereby ensuring AEDs are always in operating order.

However, with the installation of AEDs expanding in Japan, there has been a rise in the incidence of devices failing at a critical moment as a result of maintenance lapses. In 2009, the Ministry of Health, Labour and Welfare issued a notice regarding the implementation of appropriate management and maintenance of AEDs to prefectural authorities across the country, as a result of which responsibility for daily inspections and the replacement of depleted or expired expendables became the responsibility of the facility where the device is installed. In response, we launched SECOM



On-Line AED Management Service, which encompasses around-the-clock maintenance. We actively continue to market this and other AED services with the aim of helping to save more lives.

#### Expanding marketing of COCO-SECOM to individual subscribers

The COCO-SECOM mobile security system, originally launched in 2001, uses signals from Global Positioning System (GPS) satellites and cellular phone base stations to pinpoint the location of portable transmitter devices with superb precision. Simply by pushing the alert button on the device, a user can notify the COCO-SECOM operations center, which is on call around the clock and if requested will dispatch emergency response personnel.

Developed initially as a way to foil child abductions, locate seniors who have wandered off and avert the theft of cars and motorcycles, COCO-SECOM

is now attracting attention for a broader range of applications, including preventing the theft of handbags and construction equipment, and the removal of automated teller machines (ATMs) and safes, as well as managing taxi and bus fleets.

We also offer *mamorino* cellular phones for preschool- and primary school-age children, which come with COCO-SECOM as a standard feature and are mounted with a security alarm that the child can sound if he or she feels threatened.

Newer model *mamorino* 2 comes with expanded performance features, including a security alarm that remains on, even when the phone is off, and a function that enables parents and guardians to keep an eye on their child's movements.

Looking ahead, we will step up efforts to adapt COCO-SECOM to the needs of an increasingly diverse customer base.

## Overseas Security Services



**We currently have operations in 19 countries and territories outside of Japan. We continue to grow our overseas security services businesses, which offer high-grade services in 11 of these markets.**

### Rising demand for security services overseas

Our overseas operations—which encompass security services, as well as fire protection services and geographic information services—currently span 19 countries and territories. In the security services business, our first inroads into overseas markets were in 1978, when we began operating in Taiwan. Since then, we have established security services operations in the ROK, the PRC, Thailand, Malaysia, Singapore, Indonesia, Vietnam, the United Kingdom, Australia and New Zealand.

The distinguishing feature of our overseas security services is that we offer SECOM-style on-line security systems, including emergency response services, customized to reflect local needs and sensibilities. European and U.S. security services companies generally specialize in one area, i.e., sales, installation or

monitoring. Our approach differs significantly in that it is all-inclusive, enabling us to better provide customers with security and peace of mind. This approach continues to be evaluated highly by local customers, underscoring steady growth in demand.

### Secom plc begins providing services for two leading U.K. banks

The third-largest security services firm in the United Kingdom, Secom plc offers SECOM-style services for commercial and public sector facilities, as well as for homes. In April 2011, the company won a contract to provide security services for one of the U.K.'s four largest banks, while in June 2011 it acquired another U.K. security services firm, as a result of which it now also provides security services for most branches of another of the country's four largest banks that is a customer of the acquired company.

These achievements are testament to the high marks given SECOM-style security services by big banks, which have notoriously stringent standards. Having reinforced its ability to provide security services for financial institutions through the aforementioned acquisition, Secom plc expects this business to continue to grow in the years ahead.

### Responding to increasingly diverse subscriber needs in the PRC

Recognizing tremendous market potential in the PRC, we began offering services there in 1992. Initially, we offered on-line security systems in cities in the PRC's high-growth coastal areas. In the years since, we have broadened our focus to include inland cities. Today, our network, which encompasses 18 cities—Beijing, Tianjin, Dalian, Shenyang, Qingdao, Shanghai, Suzhou, Wuxi, Kunshan, Hangzhou, Ningbo, Fuzhou,



Control center (Secom plc, United Kingdom)

Xiamen, Shenzhen, Guangzhou, Dongguan, Chengdu, and Xi'an—is one of the largest among private-sector security services providers in the country.

In the PRC, heightened awareness of the need for effective security systems continues to spur demand for high-grade services. In this environment, recognition of the intrinsic value of SECOM-style on-line security systems is rising. In recent years, we established an equipment manufacturing base in Shanghai, thereby positioning ourselves better to accommodate customer expectations by offering equipment suited to local market needs. Going forward, we will continue to refine our service organization in the PRC with the aim of enhancing both our responsiveness to the increasingly diverse needs of local subscribers and our ability to provide high-grade services, and of achieving further growth.

#### **Posting solid results in key overseas markets**

In Taiwan, where we have been operating since 1978, joint venture Taiwan Secom Co., Ltd., enjoys the leading share of the local security services market and is listed on the Taiwan Stock Exchange. Like SECOM in Japan, Taiwan Secom offers a lineup of services ranging from



Control center (Beijing Jingdun Secom Electronic Security Co., Ltd.)

home security services to comprehensive security services for large-scale commercial facilities, which continue to support steady growth in the company's subscriber base.

In the ROK, joint venture S1 Corporation is that country's leading security services provider in terms of market share and is listed on the Korea Exchange. So well recognized are SECOM-style security services in the ROK that local parlance for the act of subscribing to security services is "to secom." Thanks to its solid performance record and the power of the SECOM brand, S1's subscriber base continues to expand.

Our presence in Southeast Asia began in Thailand, where we have been operating since 1987. In the years since, subsidiary Thaisecom Pitakkij Co., Ltd., has grown in tandem with the Thai economy. In Malaysia, we are growing our business by supplying on-line security systems, as well as customized security systems combining static guard services and security

equipment. In Singapore, we have achieved growth by focusing on on-line security systems, static guard services and fire protection services. As the leading provider of security services in Indonesia, we continue to be the first choice of major local and foreign financial institutions, despite intensifying competition, which has accompanied economic growth. In Vietnam, economic development is expected to bring broad acceptance of the idea of security services.

In Australia, we have earned positive reviews from a broad range of subscribers, including major corporations and government agencies, since securing a contract to provide static guard and security patrol services for a building owned by an asset management firm affiliated with one of that country's four leading banks. In New Zealand, we are striving to cultivate new demand by offering packages combining SECOM-style on-line security systems with maintenance and inspection and static guard services.

## Fire Protection Services

**We continue to offer high-grade fire protection systems by capitalizing on our capabilities as an integrated services provider.**



Water spray system installed in road tunnel



Testing of fire extinguishing system

### Providing comprehensive fire protection systems worldwide

Subsidiary Nohmi Bosai is a leading name in automatic fire alarms, fire extinguishing equipment and other fire protection systems for a wide range of applications, including office buildings, tunnels, plants, cultural properties, ships and homes. In particular, the company enjoys a high share of the market for such systems for tunnels, plants and ships. An integrated services provider, Nohmi Bosai takes responsibility for R&D, assembly, planning, installation and maintenance, an approach that has ensured its ability to provide high-grade systems and earned it the trust of customers nationwide.

Nohmi Bosai has leveraged its technological prowess and wealth of expertise to develop and launch offerings that respond to evolving needs. These include PROTECVIEW, a fire detection and alarm system that monitors for early signs of fire, thereby minimizing damage; Group Home Sprinkler System, a dry-pipe fire extinguishing system designed for designated social welfare facilities; and Dry Mist, which uses sprinkler technology to reduce ambient temperature.

The deterioration of older office buildings has stimulated replacement demand for fire alarm systems and other fire protection equipment. In response, Nohmi Bosai is drawing on its solid record in this field and on the solid trust of its customers to expand orders for systems to be installed in buildings undergoing renovation.

Nohmi Bosai also provides fire protection systems that protect lives and property from fires and other disasters in markets around the world. In the PRC, the company has established a production and sales organization that has enabled it to supply fire protection systems for key commercial facilities in Shanghai and Beijing, while in Southeast Asia it has supplied systems to major airports, helping it to establish a solid service record. In India, which continues to see remarkable economic growth, Nohmi Bosai has filled orders for comprehensive fire protection systems for the city of Delhi's subway system and for Hyderabad Airport in the south of the country.

In April 2012, we acquired LIXIL NITTAN, a leading fire protection services provider, which was subsequently

renamed Nittan. The addition of this company, which engages in the construction of comprehensive fire protection systems, equipment sales and inspection services, to the Group has positioned us to offer systems that leverage the strengths of both Nohmi Bosai and Nittan, as well as to develop next-generation systems to mitigate the impact of major disasters.

### Contributing to the expansion of Japan's transportation infrastructure

Nohmi Bosai installed a fire protection system in the new Kanmon Tunnel, an undersea tunnel linking the main island of Honshu with the island of Kyushu that opened in 1958. This was the first time for a tunnel in Japan to be equipped with a fire protection system. Since then, the company has provided fire protection systems for a wide variety of tunnels, enabling it to secure a leading share of this market. Road tunnels for which Nohmi Bosai has supplied fire protection systems include the extra long Enasan and Shin Kobe tunnels, the Yamate Tunnel on the Shuto Expressway's Chuo Circular Route and several tunnels on the Shin-Tomei Expressway. Rail tunnels equipped with such advanced fire protection systems include the Seikan Tunnel and the Hokuriku Tunnel.

**By offering extensive services in this field, notably our Home Medical Services, as well as support for hospitals, we are giving new form to our ideal of providing security and peace of mind.**



SECOM Pharmacy's clean room



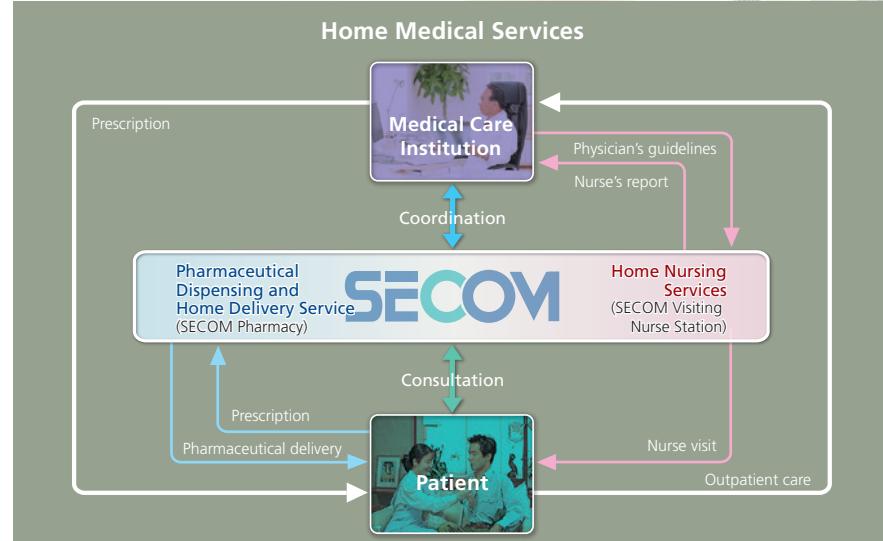
Artist's impression of Golden Sunshine, a new residence for seniors scheduled for construction in Shanghai

### Strengthening Home Medical Services in response to growing needs

Our decision to diversify into medical services reflects our belief that protecting the health and lives of people is a natural extension of our commitment to providing security and peace of mind. The core of this business is Home Medical Services.

A mainstay of our Home Medical Services is home nursing services, which we began providing in 1991. These services involve regular visits by nurses to patients in their homes to provide expert nursing services and treatment as directed by the patient's physician. The success of these services is attributable to a number of factors, including our rigorous proprietary training program.

The rapid aging of Japan's population is driving greater need for home medical services. Accordingly, we are taking steps to reinforce our home nursing services, including establishing our 31st visiting nurse station, in the city of Sendai, in Miyagi Prefecture.



Home Medical Services also include pharmaceutical dispensing services, which encompass filling of prescriptions and delivery to the patient's home.

### Contributing to better community medical care

We currently provide support for 18 associated hospitals across Japan.

In Suginami-ku, Tokyo, we recently established SECOM Home Health Care Center Kugayama, a facility providing comprehensive services combining conventional home nursing with home personal care. This move was undertaken as part of our efforts to prepare for changes to Japan's nursing care insurance system scheduled for fiscal 2012 that will usher in the establishment of a comprehensive around-the-clock care system.

To provide home medical services that take into account the patient's perspective, the SECOM Community Medical Liaison Center in Toyonaka, Osaka, offers a highly rated service whereby patients can test run Home

Medical Services, together with their families, while still in hospital.

### Seniors' residence in Shanghai

Since 1996, we have established a network of residences for seniors, including Sacrvia Seijo in Tokyo and the SECOMFORT series.

Having formulated a plan to leverage our accumulated expertise in the operation of seniors' residences in Japan to establish similar facilities in overseas markets, we resolved to pursue a joint venture with a local firm in the PRC, through which we will build and open Golden Sunshine, slated to be one of the most luxurious such facilities in Shanghai. Demographic change in the PRC has led to a particularly sharp increase in the number of seniors living in Shanghai. Beginning with Golden Sunshine, scheduled to open in 2015, and the establishment of a hospital management company in India, we will capitalize on know-how accumulated in Japan to offer medical services in overseas markets.

## Insurance Services

### Sales of our distinctive non-life insurance policies are expanding favorably.



Head office of Secom General Insurance Co., Ltd.

#### **Sales of SECOM Anshin My Home are on the rise**

Our diversification into the non-life insurance business came about as a result of our conviction that augmenting our security services, which provide prior protection, with insurance, which looks after people in the event of misfortune, is a positive way to reinforce security and peace of mind.

We have developed an extensive lineup of distinctive non-life insurance policies that capitalize on the strengths of the SECOM Group. Our highly rated offerings include the Security Discount Fire Policy, for commercial customers, and SECOM Anshin My Home, for residential customers. Both offer a discount on regular premiums to subscribers who have installed on-line security systems, reflecting the risk mitigating nature of such systems.

In January 2011, we began offering a revised, more competitive version of SECOM Anshin My Home with expanded content that enables customers to choose from among various options. The policy



SECOM Anshin My Home support center



SECOM Anshin My Car

also offers discounts for houses with exclusively electrical—i.e., no gas—appliances or improved fire resistance. In the months since, contract volumes for both of these policies have increased. We also continue to benefit from considerable synergies between our insurance and security services businesses, and the decision to purchase insurance increasingly encourages customers to sign up for security services.

#### **Subscriptions for MEDCOM unrestricted cancer treatment insurance continue to expand**

MEDCOM, an unrestricted cancer treatment policy, provides full coverage for hospitalization and medical treatment costs, both those covered under Japan's National Health Insurance (NHI) scheme and those not, for which the patient bears the full cost. MEDCOM subscribers are thus able to take advantage of advanced treatments without having to worry about costs. MEDCOM also offers a referral service to hospitals with well-established reputations in the treatment of cancer.

In light of the rising prevalence of cancer treatment administered on an outpatient basis, in April 2009 we enhanced coverage under MEDCOM to include outpatient treatment, with no restrictions on the number of days required for such treatment and coverage up to ¥10 million per five-year period.

Despite 10 years having passed since its launch, MEDCOM continues to enjoy solid support for making it possible for patients to access the best treatments available, whether covered by NHI or otherwise, for permitting both inpatient and outpatient treatment and for placing no limits on the number of days of treatment. Persevering with efforts to fulfill our mission of providing insurance that truly benefits policyholders, we will continue striving to make this policy available to more people.

#### **Enhancing our unique SECOM Anshin My Car automotive insurance policy**

SECOM Anshin My Car is a distinctive policy that includes, among others, around-the-clock access to on-site support by SECOM emergency response personnel in the event of an accident. In certain circumstances, applications for this policy, as well as others—with the exception of the Security Discount Fire Policy—can now be submitted via a designated website, further enhancing the choices available to customers. Improved convenience is expected to yield an increase in policies in force. Going forward, we will step up efforts to market this policy by highlighting the distinctive benefits of insuring with SECOM.

**Capitalizing on our geospatial information capabilities, we are striving to contribute to the development of social systems that enhance security and peace of mind.**



Hokkaido Ground Station

### Growth remains firm in services for both the public and private sector

Subsidiary Pasco Corporation collects geographic data based on primary aerial photography, which it integrates and analyzes to provide geospatial information services. Since 2008, Pasco has provided image data offered by the operator of TerraSAR-X, a German commercial satellite that delivers images with outstanding resolution. While services for the public sector continue to account for the bulk of its sales, Pasco is also focusing on services for private sector and for overseas customers, satellite monitoring services and other promising areas.

In the public sector, Pasco is working to further evolve its measuring technologies and has recently deployed a mobile mapping system (MMS), which uses devices mounted on vehicles to facilitate swift, low-cost high-precision measurement of roads and surroundings.

In the private sector, Pasco maximizes its technological expertise, accumulated in the provision of services for the public sector, to assist customers in creating shop development plans and retail strategies; selecting optimal transport routes; formulating systems for ensuring business continuity in the event of a major disaster; managing rail, road and electric power facilities; and

preparing maps for automotive navigation systems.

### Services for overseas customers show robust growth

Pasco is working assiduously to expand its services to overseas customers and has established operating bases in 18 countries outside Japan. Services for overseas customers center on the preparation of basic topographical survey data essential for the construction of a nation's infrastructure. Pasco's strength is its ability to provide comprehensive services, from the shooting of images to the processing, analysis and provision of data. The company is building on that strength to assist efforts aimed at advancing economic development, including the preparation of mapping data for national land development in Indonesia and the Philippines, and is also participating in a project to survey forests in Africa, part of a global effort to counter the impact of global warming.

### Satellite monitoring services expand

In the wake of the Great East Japan Earthquake, Pasco analyzed image data from TerraSAR-X to create mapping data to help pinpoint areas devastated by the disaster, thereby demonstrating the



Integrated Mobile Ground Station  
(1/12 scale model)

value of commercial satellites and the importance of obtaining topographical information for affected areas as swiftly as possible. Pasco has reinforced its service capabilities by increasing the number of commercial satellites for which it has rights to sell images from 15 to 17. Pasco has also secured rights to send requests directly to the Pléiades high-resolution observation satellite, as well as to receive image data directly from the satellite for sale to its customers. Capitalizing on these capabilities, and on access to TerraSAR-X, Pasco will continue to assist with efforts to ensure a swift, accurate grasp of conditions on the ground and provide crucial information.

In Japan, Pasco is a participant in the ASNARO (Advanced Satellite with New system ARchitecture for Observation), an initiative for developing an advanced small satellite that can be built and launched for short periods and at low cost. ASNARO is scheduled for launch in December 2012. Pasco is in charge of developing a compact integrated mobile receiving station for the satellite that will ensure a highly effective reception framework capable of functioning even in the event of damage to the communications infrastructure, enabling Pasco to go to affected areas and receive, process and provide satellite image data.

## Real Estate Development and Sales



### Providing peace of mind tailored to different life stages

In recent years, the rapid aging of the Japanese population, which has heightened awareness of issues related to health and nursing care services, has intensified concerns related to the possibility of living alone as a senior at some time in the future. Guided by the ALL SECOM concept, we introduced a system that brings together services from our real estate development and sales business and our medical services business to offer individuals who have purchased condominiums in our Glorio Roka-koen complex priority access to one of our residences for seniors or care homes

### Guided by the ALL SECOM concept, we are building condominiums that provide security and peace of mind.

should they feel unable to continue living alone at a later point in life.

### Providing safe, secure condominiums equipped with advanced disaster protection features

Having stepped up efforts to develop safe, secure condominiums that also offer protection in the event of a disaster, in September 2012 we will complete construction of Glorio Koshigaya Station Tower in Koshigaya, Saitama Prefecture. This new complex, which will boast emergency-use

generators, an emergency supply storage warehouse, portable emergency-use toilets, AEDs and a helicopter landing pad, has already attracted considerable attention.



Glorio Koshigaya Station Tower

## SECOM Today

### Information and Communication Related and Other Services

### We are capitalizing on our proprietary expertise and sophisticated telecommunications technologies to assist in the formulation of effective BCPs.

#### Rising demand for Secure Data Center services

We currently operate five Secure Data Center facilities across Japan, all of which boast top-level security capabilities and a variety of advanced systems. These facilities house servers and important data entrusted to us by an extensive list of subscribers, including several prominent financial institutions. By providing housing, hosting and other services, we extend support for subscribers' servers, as well as for data and other information assets. We also provide around-the-clock

initial response operations services, which ensure subscribers' systems are back up and running as soon as possible in the event of an untoward development; and a wide range of proprietary cloud-based services, including the SECOM Safety Confirmation Service.

Recent years have brought increased demand for secure data centers with highly sophisticated security features to assist in the formulation of solutions that prevent the leakage of confidential and personal information and that can assist with the formulation of business

continuity plans (BCPs), the aim of which is to facilitate the prompt restart of operations in the event of a major disaster. Our Secure Data Center facilities once again proved their worth in the wake of the Great East Japan Earthquake by operating without interruption despite the disaster, thus ensuring that subscribers' valuable information assets were securely protected. This and other factors have contributed to an increase in applications by companies looking to formulate BCPs and seeking solutions to negate the impact of electric power outages.



Disaster monitoring center

### New comprehensive risk management service that capitalizes on diverse Group strengths

In line with the ALL SECOM concept, we recently launched Total Support Service of Emergency Management, which rallies the strengths of the Group in, among others, security services, fire protection services and geographic information services, as well as in information and communication services, to provide comprehensive support for the formulation and implementation of BCPs. This service bundles pertinent services provided by Group companies into packages that provide optimal solutions, assisting with prior preparations, providing support when disaster occurs, ensuring prompt initial response services and helping with post-event recovery. This service also protects subscribers from the impact of everyday breakdowns and issues with the potential to disrupt operations.

### SECOM Cyber Attack Protection Service: Protecting confidential information

Cyber attacks today generally involve viruses undetectable by commercially available anti-virus software and compromise computers and servers, facilitating, among others, the illegal gathering of confidential information. In response, we developed SECOM Cyber Attack Protection Service, which prevents leakage by providing protection at both entry

and exit points. In addition to protecting against virus attacks, this service also offers communications monitoring, on-site response services and everyday oversight and security planning, depending on the subscriber's needs.

### Demand increases for SECOM Home Service

Since its launch in 2005, the scope of SECOM Home Service—a suite of convenient lifestyle support services for SECOM Home Security subscribers—has expanded, earning widespread support and attracting steady growth in demand. Today, the SECOM Home Service menu includes *Anshin* Support Service, which includes patrolling subscribers' homes when occupants are away, as well as Housework Support Service, which provides assistance with housekeeping and around-the-house jobs, and Troubleshooting Support Service, which includes assistance in resolving unforeseen problems, such as lost keys. We also offer the SECOM Home Service Pack, a special plan that allows customers to sign up for services that suit their lifestyles on an annual basis.

### *Seikatsu Tasuke*: Targeting the home renovations market

Taking advantage of the popularity of SECOM Home Service, in April 2012 Kurashi-TEL Co., Ltd., a joint venture with a major household equipment manufacturer, launched *Seikatsu Tasuke*, a comprehensive suite of lifestyle support services for customers who are not SECOM Home Security subscribers, leveraging our know-how in this area—accumulated through the provision of SECOM Home Service—and our joint venture partner's expertise in building materials and household equipment solutions. With *Seikatsu Tasuke*, customers can contact Kurashi-TEL's call center to communicate their needs, in response to which the company develops a customized plan, taking responsibility for everything from arranging schedules to providing services.



SECOM Home Service

# ENVIRONMENTAL MANAGEMENT

## Environmental Initiatives Guided by the ALL SECOM Concept

### ● A recycling-oriented, low-carbon business model

As a provider of on-line security systems since 1966, we have consistently sought to incorporate consideration for the environment into all aspects of our operations. Such systems provide advance protection against the loss of valuable resources to theft or fire, thus making a significant contribution to environmental preservation. Moreover, we are committed to green procurement, which precludes the use of harmful chemical substances in the development, design and manufacturing of security equipment, as well as to environment-friendly

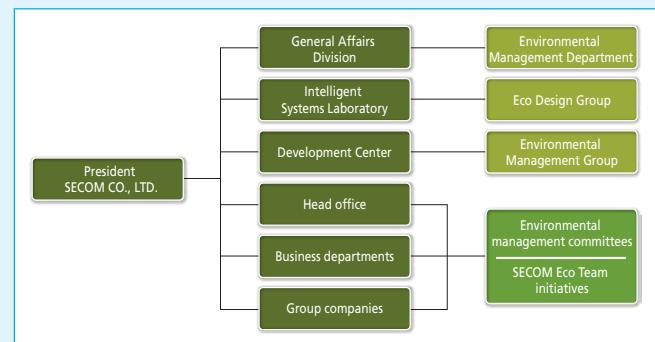
design, which ensures such equipment is energy- and resource-efficient.

We provide the security equipment used in our on-line security systems on a rental basis, rather than selling it to subscribers, and take full responsibility for its management, from installation to maintenance, replacement and collection after use. This relieves subscribers of the burden of disposal and facilitates efficient reuse and recycling.

### ● Environmental management configuration

#### Environmental philosophy (formulated in 2005)

In accordance with our mission, which is to contribute to society through our business activities, and with the belief that protecting the environment is essential to our ability to provide security and peace of mind, we continue to promote environmental initiatives in all areas of our operations.



### ● Contributing to the prevention of global warming

Medium-term target: We are striving to achieve a 1.5% reduction in our emissions of carbon dioxide (CO<sub>2</sub>)—which peaked in fiscal 2007—each year until fiscal 2020.

#### Lowering CO<sub>2</sub> emissions at offices

##### ■ Reducing energy consumption and introducing efficient equipment

Our facility management strategy emphasizes ongoing measures to improve environmental soundness, cost reductions and efficiency.

- We are contributing to global environmental protection efforts by introducing energy-efficient equipment, which helps reduce CO<sub>2</sub> emissions, into our offices, as well as by promoting green procurement.
- With the aim of achieving total cost reductions, we are striving to lower both procurement costs and running costs, including costs for energy, for equipment and fixtures used in our offices.
- We are pursuing improvements in efficiency to motivate employees and bolster productivity.

##### ■ Environmental management committee initiatives

We have established environmental management committees at each of our 28 offices across Japan, each of which is charged with promoting initiatives aimed at advancing environment-friendly operations. Thanks to initiatives implemented under the guidance of each committee chairman and representatives from the front lines, our offices continue to achieve steady reductions in CO<sub>2</sub> emissions.

#### Lowering CO<sub>2</sub> emissions from vehicles

We are currently implementing an initiative aimed at enhancing our environmental performance by replacing the approximately 5,000 vehicles currently used in our security services business in Japan with models that meet standards for low-emission vehicles set by Japan's Ministry of Economy, Trade and Industry, Ministry of Land, Infrastructure, Transport and Tourism and Ministry of the Environment. As of March 31, 2012, this initiative was approximately 90% complete.

#### Promoting the reduction of CO<sub>2</sub> emissions by SECOM Home Security subscribers

In fiscal 2011, we began participating in an initiative set up by the Ministry of the Environment as part of its infrastructure maintenance program. We assist customers in implementing measures to reduce CO<sub>2</sub> emissions in their homes and lower energy consumption.

## FINANCIAL REVIEW

### Operating Results

#### Overview

In the year ended March 31, 2012, SECOM CO., LTD. and its subsidiaries (collectively, "the Company") sought to provide high-quality products and services that respond to the needs of customers in the core security services segment, as well as in the fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services segments.

Consolidated net sales and operating revenue rose 2.7%, or ¥20.6 billion, to ¥772.5 billion. This result reflected higher net sales and operating revenue in the security services segment—due to increases in revenue from subscriptions for the Company's core electronic security services and in sales of merchandise—as well as in the medical services, geographic information services and fire protection services segments. In contrast, operating income declined 21.5%, or ¥21.6 billion, to ¥78.8 billion, as the Company wrote down real estate inventories in light of dwindling demand in the condominium market, which prompted a dramatic reorganization of its related business, while flagging economic conditions resulted in the recognition of an impairment loss on long-lived assets, principally real estate. Net income attributable to SECOM CO., LTD. fell 34.2%, or ¥21.4 billion, to ¥41.2 billion, a consequence mainly of the decline in operating income.

#### Net Sales and Operating Revenue

Consolidated net sales and operating revenue rose 2.7%, or ¥20.6 billion, to ¥772.5 billion. Net sales and operating revenue increased in the security services, medical services, insurance services, geographic information services, and information and communication related and other services segments, but declined in the real estate development and sales segment. (For further details, please see Segment Information below.)

#### Costs and Expenses

Total costs and expenses increased 6.5%, or ¥42.2 billion, to ¥693.7 billion. Cost of sales, at ¥536.3 billion, was up 7.5%, or ¥37.3 billion, and was equivalent to 69.4% of net sales and operating revenue, up from 66.4% in the previous period. This was due mainly to an increase in the write-down on real estate inventories, to ¥20.7 billion, from ¥1.5 billion, as the Company wrote down real estate inventories in light of dwindling demand in the condominium market, which prompted a dramatic reorganization of its related business.

Selling, general and administrative (SG&A) expenses edged down 0.7%, or ¥1.0 billion, to ¥146.7 billion. SG&A expenses were equivalent to 19.0% of net sales and operating revenue, an improvement from 19.6% in the previous period. These results were attributable primarily to declines in research and development expenses and advertising costs. Having taken into account flagging economic conditions, the Company also recognized an impairment loss on long-lived assets, principally real estate, of ¥8.1 billion.

#### Operating Income

Operating income declined 21.5%, or ¥21.6 billion, to ¥78.8 billion, equivalent to 10.2% of net sales and operating revenue, down from 13.4% in the previous period. This result was due mainly to increases in the write-down on real estate inventories and impairment loss on long-lived assets, principally real estate, which countered the positive impact of higher net sales and operating revenue and lower SG&A expenses. Segments contributing to operating income were—in order of size of contribution—security services, medical services, fire protection services and geographic information services. (For further details, please see Segment Information below.)

#### Other Income and Expenses

Other income decreased ¥4.3 billion, to ¥7.5 billion, while other expenses rose ¥775 million, to ¥5.2 billion, resulting in net other income of ¥2.3 billion, down ¥5.1 billion from the previous period. Principal factors behind this result included a ¥2.5 billion decline in gain on private equity investments, to ¥3.5 billion, and an increase in loss on other-than-temporary impairment of investment securities.

#### Income from Continuing Operations before Income Taxes and Equity in Net Income of Affiliated Companies

Income from continuing operations before income taxes and equity in net income of affiliated companies fell 24.8%, or ¥26.7 billion, to ¥81.1 billion, reflecting declines in operating income and net other income.

#### Income Taxes

Income taxes declined ¥5.1 billion, to ¥38.2 billion, equivalent to 47.1% of income from continuing operations before income taxes and equity in net income of affiliated companies, up from 40.1% in the previous period. This result was due primarily to changes to Japanese tax regulations, which resulted in decreases in certain components of net deferred tax assets.

#### Equity in Net Income of Affiliated Companies

Equity in net income of affiliated companies slipped ¥148 million, to ¥4.9 billion.

#### Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests amounted to ¥6.6 billion, down ¥369 million.

#### Net Income Attributable to SECOM CO., LTD.

Net income attributable to SECOM CO., LTD. fell 34.2%, or ¥21.4 billion, to ¥41.2 billion, equivalent to 5.3% of net sales and operating revenue, compared with 8.3% in the previous period. Net income attributable to SECOM CO., LTD. per share was ¥188.97, down from ¥287.41. A proposal to pay cash dividends of ¥90.00 per share, level with the previous period, was approved at the general shareholders' meeting held on June 26, 2012.

## FINANCIAL REVIEW

### Segment Information

(For further information, please see Note 28 of the accompanying Notes to the Consolidated Financial Statements)

#### Security Services

The security services segment comprises electronic security services, other security services, and merchandise and other. In the period under review, net sales and operating revenue in this segment increased 2.3%, or ¥9.7 billion, to ¥436.5 billion. Excluding intersegment transactions, net sales and operating revenue in this segment amounted to ¥434.7 billion, representing 56.3% of overall net sales and operating revenue, down slightly from 56.5% in the previous period.

Electronic security services include on-line commercial and home security systems (centralized systems) and large-scale proprietary security systems, which center on surveillance services at the subscriber's premises. On-line commercial and home security systems, the core of the Company's electronic security services, use sensors installed at the subscriber's premises to detect events, including intrusions, fires and equipment malfunctions. Sensors are linked to a SECOM control center via telecommunications circuits to facilitate around-the-clock remote monitoring. Should an irregularity be detected, relevant information is relayed to the control center, where staff dispatch emergency response personnel to take appropriate measures. Control center employees also notify the police or fire department, if necessary. The Company has established an integrated approach, whereby it takes full responsibility for all aspects of its on-line commercial and home security systems, from R&D through to equipment manufacturing, sales, security planning, installation, monitoring, emergency response services and equipment maintenance. Net sales and operating revenue from electronic security services rose 0.6%, or ¥1.9 billion, to ¥304.4 billion, owing to, among others, the inclusion of the net sales and operating revenue of newly consolidated subsidiaries overseas.

Other security services include static guard services and armored car services. The former is provided by highly trained professional security guards for situations requiring human judgment and flexible responsiveness. The latter involves the transport of cash, securities and other valuables using specially fitted armored cars and security professionals. Net sales and operating revenue from static guard services edged up 0.7%, or ¥317 million, to ¥46.7 billion, and that from armored car services rose 2.4%, or ¥480 million, to ¥20.6 billion.

The merchandise and other category encompasses sales of a wide range of security products, including access control systems, CCTV surveillance systems, automated fire extinguishing systems and external monitoring systems, which can be freestanding or linked to on-line security systems. Net sales and operating revenue in this category increased 13.1%, or ¥7.3 billion, to ¥63.0 billion, mainly reflecting efforts to expand sales of security systems for rental apartments and an increase in sales of CCTV surveillance systems.

Operating income in the security services segment rose 1.6%, or ¥1.6 billion, to ¥101.4 billion, owing to the increase in segment net sales and operating revenue. The operating margin edged down to 23.2%, from 23.4% in the previous period.

#### Fire Protection Services

This segment focuses on tailored automatic fire alarm systems, fire extinguishing systems and other fire protection systems for a wide range of applications, including office buildings, plants, tunnels, cultural properties, ships and residences.

Net sales and operating revenue from the fire protection services segment advanced 5.9%, or ¥4.7 billion, to ¥84.8 billion, primarily reflecting higher sales of specialized fire protection systems for plants, factories and other facilities, and of fire extinguishing systems for roads, as well as the increase in revenue from inspection and maintenance services. Operating income was ¥4.4 billion, an increase of 40.7%, or ¥1.3 billion, and the operating margin, 3.9% in the previous period, improved to 5.2%. These results were due mainly to the increase in segment net sales and operating revenue,

as well as to efforts to reduce cost of sales and an improvement in the segment SG&A ratio.

#### Medical Services

The medical services segment encompasses home medical services, comprising pharmaceutical dispensing and home nursing services, as well as the operation of residences for seniors, electronic medical report systems, sales of medical equipment, personal care services, the leasing of real estate for hospitals and health care-related institutions and others. The segment also includes the operations of variable interest entities of which the Company is the primary beneficiary, which manage hospitals and health care-related institutions.

Segment net sales and operating revenue rose 7.6%, or ¥9.5 billion, to ¥134.7 billion. The principal factors behind this result were increases in revenue from variable interest entities, which manage hospitals and health care-related institutions, and from the pharmaceutical dispensing business. Owing largely to the improved results of these entities, operating income soared 345.2%, or ¥6.1 billion, to ¥7.9 billion. The segment's performance in the previous period reflected a loss of ¥3.2 billion on settlement of pre-existing relationship related to the settlement of a lease contract between the Company and the aforementioned variable interest entities.

#### Insurance Services

In addition to security services, which are preventative by nature, the Company offers non-life insurance, which looks after customers in the event of misfortune, and has developed and marketed a broad range of distinctive non-life insurance policies, including Security Discount Fire Policy, a commercial fire insurance policy, and SECOM Anshin My Home, a comprehensive fire insurance policy for homes—both of which offer discounts on premiums to customers who have installed on-line security systems, recognizing this as a risk-mitigating factor. Other offerings include SECOM Anshin My Car, a comprehensive automobile insurance policy that offers on-site support services—provided by emergency response personnel—should the subscriber be involved in an accident, and MEDCOM, an unrestricted cancer treatment policy that covers the entire cost of medical treatment for cancer.

Despite a decline in net realized investment gains, net sales and operating revenue in this segment increased 1.5%, or ¥540 million, to ¥36.3 billion, owing primarily to firm sales of fire insurance policies and the MEDCOM unrestricted cancer treatment policy, which strengthened revenue from net premiums written. The segment's operating loss narrowed to ¥80 million, from ¥180 million in the previous period.

#### Geographic Information Services

The geographic information services segment includes the use of highly advanced measuring equipment and surveying technologies to provide a variety of GIS services to national and local governments, as well as to public- and private-sector entities in Japan. The Company also provides geospatial information services to government agencies in foreign countries, including emerging economies and developing countries. In the period under review, the Company procured high-resolution satellite data and, leveraging its processing technologies, provided geographic information services that responded to a wide variety of customer needs in areas ranging from map production to environmental monitoring and fire and disaster prevention. In the wake of the Great East Japan Earthquake, the Company analyzed data from several satellites to help pinpoint areas devastated by the disaster, enabling it to provide crucial information to the national government and related agencies in a timely manner.

Segment net sales and operating revenue rose 15.3%, or ¥6.7 billion, to ¥50.4 billion, owing to increased sales of satellite

monitoring services to public-sector customers and the inclusion of a full year of net sales and operating revenue from a consolidated subsidiary acquired in December 2010, as well as to the progress of system development projects for overseas customers.

Operating income edged up 1.7%, or ¥56 million, to ¥3.4 billion. Despite higher production efficiency in services for public- and private-sector customers in Japan, the operating margin slipped to 6.8%, from 7.8% in the previous period, reflecting the impact of unfavorable weather conditions, which resulted in significant delays and cost increases for certain projects for overseas customers.

### Real Estate Development and Sales

The real estate development and sales segment comprises the development and sales of condominiums equipped with advanced security and contingency planning systems. Amidst sluggish conditions in the condominium market, the Company continued to promote the careful selection of properties for development and sales.

Net sales and operating revenue in this segment dropped 50.8%, or ¥12.7 billion, to ¥12.3 billion, as the condominium market failed to improve noticeably. The segment reported an operating loss of ¥21.6 billion, compared with operating income of ¥525 million in

the previous period, owing to a ¥20.7 billion write-down on real estate inventories, a consequence of dwindling demand in the condominium market, which prompted a dramatic reorganization of this business.

### Information and Communication Related and Other Services

This segment consists mainly of information and communication related services—including information security systems and network services, which protect subscribers' information in the event of a major disaster—and real estate leasing.

Segment net sales and operating revenue advanced 6.0%, or ¥1.9 billion, to ¥33.9 billion, shored up by an increase in subscriptions for Secure Data Center services, part of the information and communication related services business. Despite higher income in the information and communication related services category, the Company recognized an ¥8.1 billion impairment loss on long-lived assets, principally real estate, having reassessed the potential profitability of its businesses in light of flagging economic conditions. As a consequence, the segment reported an operating loss of ¥4.0 billion, compared with operating income of ¥3.2 billion in the previous period.

## Financial Position

Total assets as of March 31, 2012, amounted to ¥1,179.8 billion, ¥8.7 billion higher than at the end of the previous period.

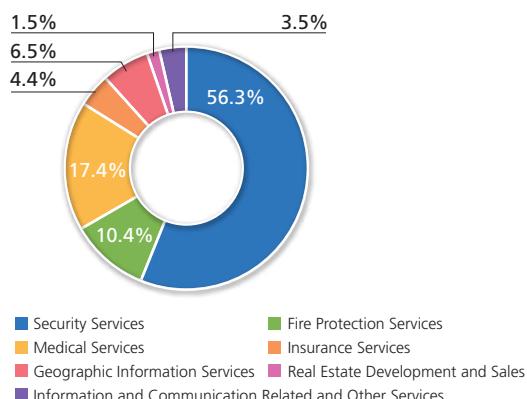
Total current assets, at ¥535.6 billion, rose ¥14.2 billion, and accounted for 45.4% of total assets. Cash and cash equivalents totaled ¥213.0 billion, an increase of ¥19.1 billion, owing to the fact that net cash provided by operating activities exceeded net cash used in investing and financing activities. (For further details, please see Cash Flows, which follows this section.) Notes and accounts receivable, trade, rose ¥13.2 billion, to ¥99.7 billion, pushed up primarily by increases in net sales and operating revenue in the fire protection services and geographic information services segments. Inventories, at ¥67.1 billion, were down ¥14.7 billion, reflecting a decline in real estate for sale, a consequence of sales of condominiums and the write-down on real estate inventories. Short-term investments amounted to ¥17.3 billion, up ¥10.9 billion, largely as a result of the reclassification of investment securities in the insurance services segment. Time deposits were ¥7.7 billion, a decline of ¥9.5 billion, as certain deposits reached maturity. With both current assets and current liabilities up, the current ratio remained level at 2.1 times.

Investments and long-term receivables were down ¥10.6 billion, to ¥235.7 billion, or 20.0% of total assets. This was mainly a consequence of the aforementioned reclassification of investment securities as short-term investments, which pushed investment securities down ¥9.0 billion, to ¥140.0 billion.

Property, plant and equipment, less accumulated depreciation, rose ¥8.3 billion, to ¥310.8 billion, equivalent to 26.3% of total assets. Land increased ¥6.7 billion, to ¥103.1 billion, a result of the purchase of a rental property in the information and communication related and other services segment. Additionally, a higher number of security services subscribers necessitated an increase in security equipment and control stations, although this was offset by depreciation.

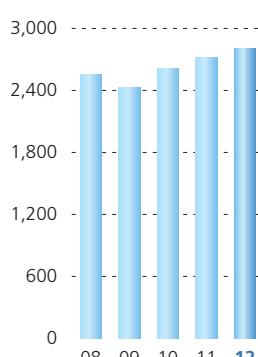
Other assets were down ¥3.3 billion, to ¥97.7 billion, and accounted for 8.3% of total assets. Deferred charges, that is, service charges for the installation of security equipment related to on-line security systems that have been deferred, declined ¥2.5 billion, to ¥43.1 billion.

**Percentage of Consolidated Net Sales and Operating Revenue\***  
(Year ended March 31, 2012)

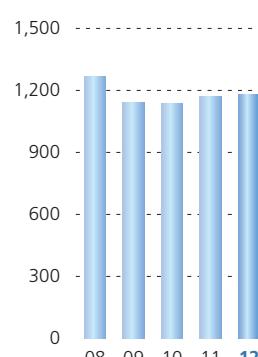


\* Pie chart shows percentage of consolidated net sales and operating revenue  
(Excluding intersegment transactions)

**SECOM CO., LTD.  
Shareholders' Equity per Share**  
(In yen)



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



**FINANCIAL REVIEW**

Total liabilities declined ¥14.2 billion, to ¥502.2 billion, equivalent to 42.6% of total liabilities and equity. Total current liabilities rose ¥13.7 billion, to ¥256.3 billion, and accounted for 21.7% of total liabilities and equity. This was due primarily to an increase in notes and accounts payable. Long-term debt, at ¥37.0 billion, was down ¥16.0 billion. Investment deposits by policyholders declined ¥10.9 billion, to ¥30.8 billion, as insurance policies with maturity refunds reached maturity.

Interest-bearing debt, comprising bank loans, long-term debt and the current portion of long-term debt, declined ¥12.8 billion, to ¥99.8 billion. This result reflected the effective use of available funds to reduce interest-bearing debt.

**Cash Flows**

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

In the period under review, net cash provided by operating activities amounted to ¥112.2 billion. Significant factors contributing to this result included net income of ¥47.8 billion and non-cash items, notably depreciation and amortization of ¥58.1 billion, a ¥20.7 billion write-down on real estate inventories and an ¥8.1 billion impairment loss on long-lived assets. Cash used in operating activities included ¥15.7 billion in deferred charges and a ¥12.3 billion in receivables and due from subscribers, net of allowances. At ¥413 million less than in the previous period, net cash provided by operating activities was essentially level. This was despite an increase in the aggregate of net income and reconciliation items—namely, write-down on real estate inventories, impairment loss on long-lived assets and other gains and losses generated by operating activities—and reflected an increase in inventories, a consequence of condominium development, compared with a decrease in the previous period.

Net cash used in investing activities came to ¥45.0 billion. Principal items behind this result included payments for purchases of property, plant and equipment of ¥53.5 billion—namely, the purchase of a rental property, and security equipment and control stations, necessitated by an increase in the number of security services subscribers—and a decrease in time deposits of ¥9.2 billion, as certain deposits reached maturity. Owing to a review of investment assets in the insurance services segment, and to

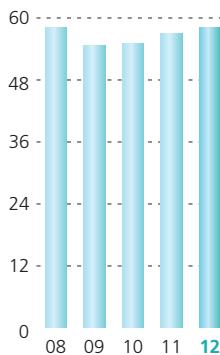
Total SECOM CO., LTD. shareholders' equity rose ¥19.4 billion, to ¥612.9 billion, and was equivalent to 51.9% of total liabilities and equity. This was attributable to a ¥21.5 billion increase in retained earnings, to ¥572.7 billion, owing to net income attributable to SECOM CO., LTD. and to the payment of cash dividends. Accumulated other comprehensive loss, at ¥37.3 billion, was up ¥2.5 billion. The loss resulting from foreign currency translation adjustments rose ¥3.4 billion, to ¥28.5 billion, a consequence of the appreciation of the yen. As a result, the equity ratio increased to 51.9%, from 50.7% at the end of the previous period.

gains attributable to private equity investments in the United States, net proceeds from the sales and redemption of short-term investments and investment securities amounted to ¥3.1 billion. Despite the absence of proceeds from sales in investments in affiliated companies and an increase in payments for purchases of property, plant and equipment, the fact that time deposits reflecting efforts to strengthen relations with subscribers reached maturity resulted in a ¥1.9 billion decrease in net cash used in investing activities from the previous period.

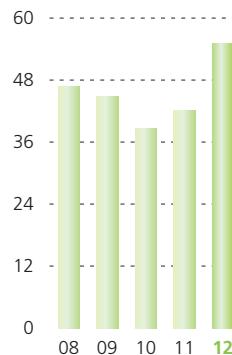
Net cash used in financing activities amounted to ¥47.7 billion. This included dividends paid to SECOM CO., LTD. shareholders of ¥19.6 billion, repayments of long-term debt of ¥11.7 billion, a decrease in investment deposits by policyholders of ¥10.9 billion and a decrease in bank loans, net, of ¥6.9 billion. Repayments of long-term debt and the decrease in bank loans reflected efforts during the period to reduce long-term debt by promoting the effective use of available funds. Net cash used in financing activities was down ¥7.6 billion from the previous period, when an increase in the use of cash to reduce interest-bearing debt was countered by payments for acquisition of shares of consolidated subsidiaries from noncontrolling interests, owing to a tender offer to acquire shares of common stock issued by consolidated subsidiary Secom Techno Service Co., Ltd., which has since been merged into SECOM CO., LTD.

The Company's operating, investing and financing activities in the period under review resulted in net cash and cash equivalents at end of year of ¥213.0 billion, an increase of ¥19.1 billion from net cash and cash equivalents at beginning of year, which were ¥193.9 billion.

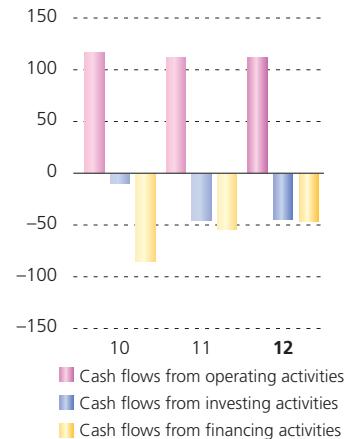
**Depreciation and Amortization**  
(In billions of yen)



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



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





# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries  
March 31, 2012 and 2011

ASSETS	In millions of yen		Translation into thousands of U.S. dollars (Note 3) March 31 2012	
	March 31			
	2012	2011		
<b>Current assets:</b>				
Cash and Cash equivalents (Notes 5 and 23) .....	¥ 213,040	¥ 193,942	\$ 2,598,049	
Time deposits (Note 13) .....	7,731	17,185	94,280	
Cash deposits (Note 6) .....	54,011	56,546	658,671	
Short-term investments (Notes 7 and 23).....	17,294	6,393	210,902	
Notes and accounts receivable, trade.....	99,738	86,511	1,216,317	
Due from subscribers.....	34,416	35,886	419,707	
Inventories (Note 8).....	67,094	81,769	818,220	
Short-term receivables (Notes 9, 13 and 21) .....	14,655	14,063	178,720	
Allowance for doubtful accounts (Note 9) .....	(1,335)	(1,855)	(16,280)	
Deferred insurance acquisition costs (Note 14).....	5,132	5,456	62,585	
Deferred income taxes (Note 17) .....	12,853	15,438	156,744	
Other current assets .....	10,971	10,042	133,793	
Total current assets.....	535,600	521,376	6,531,708	
<b>Investments and long-term receivables:</b>				
Investment securities (Notes 2 (7), 7, 13 and 23).....	140,014	148,990	1,707,488	
Investments in affiliated companies (Note 10).....	39,739	38,978	484,622	
Long-term receivables (Notes 9, 13 and 21).....	41,831	42,672	510,134	
Lease deposits.....	13,281	13,636	161,963	
Other investments.....	8,262	9,842	100,756	
Allowance for doubtful accounts (Note 9) .....	(7,449)	(7,858)	(90,841)	
	235,678	246,260	2,874,122	
<b>Property, plant and equipment (Notes 11, 13, 20 and 21):</b>				
Land.....	103,127	96,420	1,257,646	
Buildings and improvements.....	193,245	193,445	2,356,646	
Security equipment and control stations .....	273,645	264,693	3,337,134	
Machinery, equipment and automobiles .....	87,190	84,374	1,063,293	
Construction in progress .....	5,054	2,913	61,634	
	662,261	641,845	8,076,353	
Accumulated depreciation.....	(351,413)	(339,330)	(4,285,524)	
	310,848	302,515	3,790,829	
<b>Other assets:</b>				
Deferred charges (Note 2 (12)) .....	43,127	45,634	525,939	
Goodwill (Note 12).....	14,235	14,450	173,598	
Other intangible assets (Notes 12 and 13) .....	22,305	22,593	272,012	
Prepaid pension and severance costs (Note 15).....	7,846	6,500	95,683	
Deferred Income taxes (Note 17) .....	10,185	11,824	124,207	
	97,698	101,001	1,191,439	
Total assets.....	¥1,179,824	¥1,171,152	\$14,388,098	

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	In millions of yen		Translation into thousands of U.S. dollars (Note 3) March 31 2012	
	2012	2011		
<b>Current liabilities:</b>				
Bank loans (Notes 6 and 13).....	¥ 40,762	¥ 47,698	\$ 497,098	
Current portion of long-term debt (Notes 13, 20 and 22).....	22,053	11,918	268,939	
Notes and accounts payable, trade .....	33,163	27,882	404,427	
Other payables.....	29,121	24,348	355,134	
Deposits received (Note 6).....	26,877	24,737	327,768	
Deferred revenue .....	40,271	40,899	491,110	
Accrued income taxes .....	15,468	20,358	188,634	
Accrued payrolls.....	26,272	24,691	320,390	
Other current liabilities (Notes 17, 22, 23, and 24).....	22,274	20,065	271,634	
Total current liabilities.....	256,261	242,596	3,125,134	
Long-term debt (Notes 13, 20 and 22).....	37,023	53,020	451,500	
Guarantee deposits received .....	36,337	36,202	443,134	
Accrued pension and severance costs (Note 15) .....	21,421	21,169	261,232	
Deferred revenue .....	17,325	18,246	211,280	
Unearned premiums and other insurance liabilities (Note 14) .....	83,998	83,615	1,024,366	
Investment deposits by policyholders (Notes 14 and 22).....	30,755	41,643	375,061	
Deferred income taxes (Note 17).....	9,115	9,827	111,159	
Other liabilities (Notes 22, 23, and 24).....	9,956	10,025	121,415	
Total liabilities.....	502,191	516,343	6,124,281	

#### Commitments and contingent liabilities (Note 25)

#### Equity:

SECOM CO.,LTD. shareholders' equity (Note 18):

Common stock			
Authorized—900,000,000 shares			
issued 233,288,717 shares in 2012 and 2011 .....	66,378	66,378	809,488
Additional paid-in capital.....	74,561	75,555	909,280
Legal reserve .....	10,175	10,104	124,085
Retained earnings .....	572,730	551,187	6,984,512
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7).....	4,646	2,131	56,659
Unrealized losses on derivative instruments (Note 24) .....	—	(6)	—
Pension liability adjustments (Note 15).....	(13,522)	(11,909)	(164,902)
Foreign currency translation adjustments .....	(28,453)	(25,021)	(346,988)
	(37,329)	(34,805)	(455,231)
Common stock in treasury, at cost:			
15,017,691 shares in 2012 and 15,258,553 shares in 2011 .....	(73,660)	(74,924)	(898,293)
Total SECOM CO., LTD. shareholders' equity.....	612,855	593,495	7,473,841
Noncontrolling interests .....	64,778	61,314	789,976
Total equity.....	677,633	654,809	8,263,817
Total liabilities and equity .....	¥1,179,824	¥1,171,152	\$14,388,098

## CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2012

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2012	2011	2010	2012
<b>Net sales and operating revenue</b> (Notes 14 and 23).....	<b>¥772,482</b>	¥751,868	¥670,644	<b>\$9,420,512</b>
<b>Costs and expenses:</b>				
Cost of sales (Note 8).....	<b>536,268</b>	498,957	433,139	<b>6,539,853</b>
Selling, general and administrative expense (Notes 2 (18) and 19).....	<b>146,663</b>	147,667	137,720	<b>1,788,573</b>
Loss on settlement of pre-existing relationship (Note 2 (2)).....	—	3,212	—	—
Impairment loss on long-lived assets (Note 11).....	<b>8,133</b>	3	292	<b>99,183</b>
Impairment loss on goodwill (Note 12).....	<b>1,218</b>	—	245	<b>14,854</b>
Loss on sales and disposal of fixed assets, net.....	<b>1,374</b>	1,597	2,070	<b>16,756</b>
	<b>693,656</b>	651,436	573,466	<b>8,459,219</b>
Operating income.....	<b>78,826</b>	100,432	97,178	<b>961,293</b>
<b>Other income:</b>				
Interest and dividends.....	<b>952</b>	928	1,317	<b>11,610</b>
Reversal of reserve for litigation loss (Note 25).....	—	—	781	—
Gain on sales of securities, net (Notes 7 and 10).....	<b>29</b>	139	—	<b>354</b>
Gain on private equity investments (Note 23).....	<b>3,491</b>	6,014	—	<b>42,573</b>
Other (Note 16).....	<b>3,055</b>	4,789	3,254	<b>37,256</b>
	<b>7,527</b>	11,870	5,352	<b>91,793</b>
<b>Other expenses:</b>				
Interest.....	<b>1,597</b>	1,683	1,799	<b>19,476</b>
Loss on sales of securities, net (Note 7).....	—	—	7	—
Loss on other-than-temporary impairment of investment securities (Note 23).....	<b>952</b>	84	1,764	<b>11,610</b>
Loss on private equity investments (Note 23).....	—	—	1,367	—
Losses related to spectrum reallocation (Note 25).....	—	—	1,254	—
Other (Notes 16, 24 and 25).....	<b>2,684</b>	2,691	1,663	<b>32,732</b>
	<b>5,233</b>	4,458	7,854	<b>63,818</b>
Income from continuing operations before income taxes and equity in net income of affiliated companies.....	<b>81,120</b>	107,844	94,676	<b>989,268</b>
<b>Income taxes (Note 17):</b>				
Current.....	<b>33,538</b>	38,765	38,749	<b>409,000</b>
Deferred.....	<b>4,664</b>	4,512	6,882	<b>56,878</b>
	<b>38,202</b>	43,277	45,631	<b>465,878</b>
Income from continuing operations before equity in net income of affiliated companies.....	<b>42,918</b>	64,567	49,045	<b>523,390</b>
<b>Equity in net income of affiliated companies</b> .....	<b>4,880</b>	5,028	2,620	<b>59,512</b>
Income from continuing operations.....	<b>47,798</b>	69,595	51,665	<b>582,902</b>
<b>Income from discontinued operations, net of tax (Note 26)</b> .....	—	—	1,354	—
Net income.....	<b>47,798</b>	69,595	53,019	<b>582,902</b>
<b>Less: Net income attributable to noncontrolling interests</b> .....	<b>(6,561)</b>	(6,930)	(6,030)	<b>(80,012)</b>
Net income attributable to SECOM CO., LTD. ....	<b>¥ 41,237</b>	¥ 62,665	¥ 46,989	<b>\$ 502,890</b>

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2012	2011	2010	2012
<b>Per share data (Note 2 (20)):</b>				
Income from continuing operations attributable to SECOM CO., LTD.....	<b>¥188.97</b>	¥287.41	¥209.41	<b>\$2.30</b>
Income from discontinued operations attributable to SECOM CO., LTD. ....	—	—	6.10	—
Net income attributable to SECOM CO., LTD. ....	<b>188.97</b>	287.41	215.51	<b>2.30</b>
<b>Cash dividends per share</b> .....	<b>¥ 90.00</b>	¥ 85.00	¥ 85.00	<b>\$ 1.10</b>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2012

	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	SECOM CO., LTD. shareholders' equity	Total Noncontrolling interest	Total
<b>Balance, March 31, 2009</b>	233,288,717	¥66,378	¥79,995	¥10,036	¥482,488	(¥35,280)	¥74,896	¥528,721	¥61,069	¥589,790
<b>Comprehensive income:</b>										
Net income	—	—	—	—	46,989	—	—	46,989	6,030	53,019
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized holding gains on securities	—	—	—	—	—	9,200	—	9,200	211	9,411
Unrealized gains on derivative instruments	—	—	—	—	—	169	—	169	47	216
Pension liability adjustments	—	—	—	—	—	1,167	—	1,167	372	1,539
Foreign currency translation adjustments	—	—	—	—	—	996	—	996	212	1,208
Total comprehensive income	—	—	—	—	—	—	—	58,521	6,872	65,393
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(18,533)	—	—	(18,533)	—	(18,533)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1,759)	(1,759)
Transfer to legal reserve	—	—	—	17	(17)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	1,101	—	—	—	—	1,101	(1,517)	(416)
Gains and losses on disposal of treasury stock	—	—	(0)	—	—	—	—	(0)	—	(0)
Net changes in treasury stock	—	—	—	—	—	(11)	—	(11)	—	(11)
<b>Balance, March 31, 2010</b>	233,288,717	66,378	81,096	10,053	510,927	(23,748)	(74,907)	569,799	64,665	634,464
Cumulative effect adjustments resulting from adoption of a new accounting standard on variable interest entities, net of tax (Note 2 (2))										
—	—	—	—	—	(3,821)	—	—	(3,821)	—	(3,821)
<b>Comprehensive income:</b>										
Net income	—	—	—	—	62,665	—	—	62,665	6,930	69,595
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized holding losses on securities	—	—	—	—	—	(3,472)	—	(3,472)	(61)	(3,533)
Unrealized gains on derivative instruments	—	—	—	—	—	12	—	12	5	17
Pension liability adjustments	—	—	—	—	—	(972)	—	(972)	(640)	(1,612)
Foreign currency translation adjustments	—	—	—	—	—	(6,399)	—	(6,399)	(381)	(6,780)
Total comprehensive income	—	—	—	—	—	—	—	51,834	5,853	57,687
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(18,533)	—	—	(18,533)	—	(18,533)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1,822)	(1,822)
Transfer to legal reserve	—	—	—	51	(51)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(5,541)	—	—	(226)	—	(5,767)	(7,382)	(13,149)
Gains and losses on disposal of treasury stock	—	—	(0)	—	—	—	—	(0)	—	(0)
Net changes in treasury stock	—	—	—	—	—	—	(17)	(17)	—	(17)
<b>Balance, March 31, 2011</b>	233,288,717	66,378	75,555	10,104	551,187	(34,805)	(74,924)	593,495	61,314	654,809
<b>Comprehensive income:</b>										
Net income	—	—	—	—	41,237	—	—	41,237	6,561	47,798
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized holding gains on securities	—	—	—	—	—	2,515	—	2,515	(29)	2,486
Unrealized gains on derivative instruments	—	—	—	—	—	6	—	6	2	8
Pension liability adjustments	—	—	—	—	—	(1,613)	—	(1,613)	(340)	(1,953)
Foreign currency translation adjustments	—	—	—	—	—	(3,432)	—	(3,432)	(264)	(3,696)
Total comprehensive income	—	—	—	—	—	—	—	38,713	5,930	44,643
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(19,623)	—	—	(19,623)	—	(19,623)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1,851)	(1,851)
Transfer to legal reserve	—	—	—	71	(71)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(642)	—	—	—	—	(642)	(615)	(1,257)
Gains and losses on disposal of treasury stock	—	—	(352)	—	—	—	—	(352)	—	(352)
Net changes in treasury stock (Note 18)	—	—	—	—	—	—	1,264	1,264	—	1,264
<b>Balance, March 31, 2012</b>	<b>233,288,717</b>	<b>¥66,378</b>	<b>¥74,561</b>	<b>¥10,175</b>	<b>¥572,730</b>	<b>(¥37,329)</b>	<b>(¥73,660)</b>	<b>¥612,855</b>	<b>¥64,778</b>	<b>¥677,633</b>

	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	SECOM CO., LTD. shareholders' equity	Total Noncontrolling interest	Total
<b>Balance, March 31, 2011</b>	\$809,488	\$921,402	\$123,220	\$6,721,793	(\$(424,451))	(\$913,707)	\$7,237,745	\$747,732	\$7,985,477
<b>Comprehensive income:</b>									
Net income	—	—	—	502,890	—	—	502,890	80,012	582,902
Other comprehensive income (loss), net of tax (Note 18):									
Unrealized holding gains on securities	—	—	—	—	30,672	—	30,672	(354)	30,318
Unrealized gains on derivative instruments	—	—	—	—	73	—	73	24	97
Pension liability adjustments	—	—	—	—	(19,671)	—	(19,671)	(4,146)	(23,817)
Foreign currency translation adjustments	—	—	—	—	(41,854)	—	(41,854)	(3,220)	(45,074)
Total comprehensive income	—	—	—	—	—	—	472,110	72,316	544,426
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	(239,306)	—	—	(239,306)	—	(239,306)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(22,573)	(22,573)
Transfer to legal reserve	—	—	865	(865)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	(7,829)	—	—	—	—	(7,829)	(7,499)	(15,328)
Gains and losses on disposal of treasury stock	—	(4,293)	—	—	—	—	(4,293)	—	(4,293)
Net changes in treasury stock (Note 18)	—	—	—	—	—	15,414	15,414	—	15,414
<b>Balance, March 31, 2012</b>	<b>\$809,488</b>	<b>\$909,280</b>	<b>\$124,085</b>	<b>\$6,984,512</b>	<b>(\$455,231)</b>	<b>(\$898,293)</b>	<b>\$7,473,841</b>	<b>\$789,976</b>	<b>\$8,263,817</b>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2012

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)	
	Years ended March 31				
	2012	2011	2010		
<b>Cash flows from operating activities:</b>				<b>Year ended March 31</b>	
Net income .....	¥ 47,798	¥ 69,595	¥ 53,019	\$ 582,902	
Adjustments to reconcile net income to net cash provided by operating activities—					
Depreciation and amortization, including amortization of deferred charges (Notes 2 (11), 2 (12) and 12) .....	58,117	56,951	55,130	708,744	
Accrual for pension and severance costs, less payments .....	(3,268)	(2,687)	(3,723)	(39,854)	
Deferred income taxes, including discontinued operations .....	4,664	4,512	6,885	56,878	
Loss on sales and disposal of fixed assets, net .....	1,374	1,597	2,070	16,756	
Impairment loss on long-lived assets (Note 11) .....	8,133	3	292	99,183	
Write-down on real estate inventories (Note 8) .....	20,723	1,482	1,285	252,720	
(Gain) loss on private equity investments (Note 23) .....	(3,491)	(6,014)	1,367	(42,573)	
Reversal of reserve for litigation loss (Note 25) .....	—	—	(781)	—	
Impairment loss on goodwill (Note 12) .....	1,218	—	245	14,854	
Gain on sales of securities, net (Notes 7,10 and 14) .....	(1,240)	(1,658)	(1,302)	(15,122)	
Loss on other-than-temporary impairment of investment securities (Notes 14 and 23) .....	1,835	765	6,321	22,378	
Equity in net income of affiliated companies .....	(4,880)	(5,028)	(2,620)	(59,512)	
Gain on sales of discontinued operations (Note 26) .....	—	—	(777)	—	
Loss on settlement of pre-existing relationship (Note 2 (2)) .....	—	3,212	—	—	
Payments for legal settlement (Note 25) .....	(799)	(1,770)	—	(9,744)	
Changes in assets and liabilities, net of effects from acquisitions and disposals:.....					
(Increase) decrease in cash deposits .....	2,535	(7,685)	7,806	30,915	
(Increase) decrease in receivables and due from subscribers, net of allowances .....	(12,306)	(6,861)	3,845	(150,073)	
(Increase) decrease in inventories .....	(3,940)	14,564	(3,386)	(48,049)	
Increase in deferred charges .....	(15,652)	(15,097)	(14,502)	(190,878)	
Increase (decrease) in notes and accounts payable .....	10,030	(182)	(3,059)	122,317	
Increase (decrease) in deposits received .....	2,123	(4,236)	(5,133)	25,890	
Increase (decrease) in deferred revenue .....	(1,332)	(5,419)	255	(16,244)	
Increase (decrease) in accrued income taxes .....	(4,880)	(1,231)	2,021	(59,512)	
Increase in guarantee deposits received .....	161	1,367	2,541	1,963	
Increase in unearned premiums and other insurance liabilities .....	383	9,148	5,598	4,671	
Other, net .....	4,906	7,297	3,292	59,829	
Net cash provided by operating activities .....	112,212	112,625	116,689	1,368,439	
<b>Cash flows from investing activities:</b>					
(Increase) decrease in time deposits .....	9,230	(9,665)	1,413	112,561	
Proceeds from sales of property, plant and equipment .....	179	780	1,765	2,183	
Payments for purchases of property, plant and equipment .....	(53,496)	(41,726)	(38,283)	(652,390)	
Payments for purchases of intangible assets .....	(5,887)	(4,829)	(7,231)	(71,793)	
Proceeds from sales and redemptions of investment securities (Note 7) .....	73,693	37,187	44,857	898,695	
Payments for purchases of investment securities .....	(66,283)	(32,163)	(24,585)	(808,329)	
(Increase) decrease in short-term investments .....	(4,357)	(1,854)	3,776	(53,134)	
Proceeds from sales in discontinued operations .....	—	—	5,185	—	
Acquisitions, net of cash acquired (Note 4) .....	(1,275)	(1,809)	996	(15,549)	
Proceeds from sales in investments in affiliated companies (Note 10) .....	—	5,055	—	—	
(Increase) decrease in short-term receivables, net .....	(1,680)	164	250	(20,488)	
Payments for long-term receivables .....	(1,741)	(402)	(5,014)	(21,232)	
Proceeds from long-term receivables .....	4,322	1,965	6,043	52,707	
Other, net .....	2,319	421	226	28,281	
Net cash used in investing activities .....	(44,976)	(46,876)	(10,602)	(548,488)	
<b>Cash flows from financing activities:</b>					
Proceeds from long-term debt .....	3,875	11,277	6,885	47,256	
Repayments of long-term debt .....	(11,660)	(11,597)	(12,951)	(142,195)	
Decrease in bank loans, net .....	(6,935)	(312)	(35,156)	(84,573)	
Decrease in investment deposits by policyholders .....	(10,888)	(20,583)	(23,838)	(132,780)	
Dividends paid to SECOM CO., LTD. shareholders .....	(19,623)	(18,533)	(18,533)	(239,306)	
Dividends paid to noncontrolling interests .....	(1,851)	(1,822)	(1,759)	(22,573)	
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders .....	(466)	(13,703)	(399)	(5,683)	
Increase in treasury stock, net .....	(292)	(17)	(11)	(3,561)	
Other, net .....	124	—	75	1,513	
Net cash used in financing activities .....	(47,716)	(55,290)	(85,687)	(581,902)	
<b>Cumulative effect adjustments resulting from adoption of a new accounting standard on variable interest entities (Note 2 (2)) .....</b>	—	3,905	—	—	
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	(422)	(566)	351	(5,146)	
<b>Net increase in cash and cash equivalents .....</b>	19,098	13,798	20,751	232,903	
<b>Cash and cash equivalents at beginning of year .....</b>	193,942	180,144	159,393	2,365,146	
<b>Cash and cash equivalents at end of year .....</b>	¥213,040	¥193,942	¥180,144	\$2,598,049	

See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2012

## 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, real estate development and sales, and information and communication related and other services. With these services combined, the Company is focusing on the establishment of a "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 security systems for commercial and residential premises, static guard services, armored car services for cash collection and deposit and sales of security merchandise. The Company has also been diversifying its services covering: fire protection services, including automatic fire alarm systems and fire extinguishing systems; medical services, including home and other medical services; insurance services, focusing on non-life insurance services; geographic information services using geographic information system ("GIS") and surveying and measuring technology; real estate development and sales, focusing on the development and sale of condominiums that feature security services and disaster prevention services; and information and communication related services, centered on information security services and the provision of comprehensive information networks designed to assist people and companies in the event of a major disaster; 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 ("Japanese GAAP"). Certain adjustments and reclassifications have been incorporated in the accompanying financial statements to conform with U.S. generally accepted accounting principles ("U.S. GAAP"). These adjustments were not recorded in the statutory books of account.

Significant accounting policies used 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. All significant intercompany transactions and balances have been eliminated in consolidation.

Investments in companies in which the ability to exercise significant influence exists (generally 20 to 50 percent owned companies), 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.

### (2) Consolidation of Variable Interest Entities

The consolidated financial statements also include variable interest entities ("VIEs") of which the Company is the primary beneficiary.

In December 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities," which amends the Accounting Standards Codification ("ASC") 810, "Consolidation." This accounting standard requires the reporting entity to consolidate a variable interest entity ("VIE") as its primary beneficiary when it is deemed to have a controlling financial interest in a VIE, meeting both of the following characteristics:

- The power to direct activities of a VIE that most significantly impact the VIE's economic performance.
- The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

This accounting standard is effective for fiscal years beginning after November 15, 2009 and was adopted by the Company in the fiscal year ended March 31, 2011. Due to the adoption of this accounting standard, certain organizations managing hospitals and health care-related institutions that were not consolidated prior to March 31, 2010 were included in the scope of consolidation as of April 1, 2010. As a result, assets of ¥22,907 million and liabilities of ¥26,728 million, after elimination of intercompany balances, were included in the consolidated balance sheet at April 1, 2010. The cumulative effect adjustments resulting from the adoption of this accounting standard decreased the beginning retained earnings for the year ended March 31, 2011 by ¥3,821 million, net of tax. In addition, the Company recognized ¥3,212 million as a loss on settlement of pre-existing relationship in the medical services segment, related to the settlement of a lease contract between the Company and an entity newly included in the scope of consolidation according to the adoption of this accounting standard.

The Company provides investments, loans and guarantees to organizations managing hospitals and health care-related institutions, to a company holding real estate, and to a PFI (Private Finance Initiative) organization which was established to build, maintain and operate correctional facilities. Certain of these organizations are considered VIEs under ASC 810.

Total assets and liabilities held by VIEs of which the Company is the primary beneficiary were ¥64,469 million (\$786,207 thousand) and ¥71,268 million (\$869,122 thousand), respectively, at March 31, 2012, and ¥67,860 million and ¥77,277 million, respectively, at March 31, 2011. Total assets and liabilities held by VIEs of which the Company holds significant variable interests but is not the primary beneficiary were ¥33,735 million (\$411,402 thousand) and ¥34,908 million (\$425,707 thousand), respectively, at March 31, 2012, and ¥31,642 million and ¥32,574 million, respectively, at March 31, 2011. The Company's assets in the consolidated balance sheets and the Company's maximum exposure to losses related to VIEs at March 31, 2012 and 2011 were ¥4,621 million (\$56,354 thousand) and ¥4,568 million, respectively.

### (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 recognized in income ratably over the covered service period. Revenue from the installation of security equipment used to provide 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 ASC 605, "Revenue Recognition." 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 is principally recognized when construction is completed.

Revenue from long-term contracts for fire protection services and geographic information services is principally 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 real estate is recognized when the title of the real estate is transferred to the customer.

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 the 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 consolidated 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 considers the length of time and extent to which the market value of the security has been less than its original cost, the financial condition, other specific factors affecting the market value, deterioration of the credit condition of the issuers, and whether or not the Company is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

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 ASC 946, "Financial Services—Investment Companies," in which investments are accounted for at fair value based on the Company's 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.

The carrying value of private equity investments was ¥26,149 million (\$318,890 thousand) and ¥25,980 million at March 31, 2012 and 2011, respectively.

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, short-term and long-term receivables, 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 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 and depreciated at rates based on the estimated useful lives of the assets. Depreciation is computed using the straight-line method for assets other than security equipment and control stations. Security equipment and control stations are depreciated by using the declining-balance method. Assets leased to others under operating leases are depreciated using the straight-line method over the estimated useful lives. Depreciation expense was ¥37,120 million (\$452,683 thousand), ¥35,634 million and ¥34,033 million for the years ended March 31, 2012, 2011 and 2010, 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

The Company recognizes an asset retirement liability if the fair value of the obligation can be reasonably estimated. Asset retirement obligations include those for which an entity has a legal obligation to perform an asset retirement activity, however, the timing and/or method of settling the obligation are conditional on a future event that may or may not be within the control of the entity.

#### **(12) Deferred Charges**

Deferred charges primarily consist of costs related to installation services of security equipment used to provide on-line security systems. 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 ¥14,877 million (\$181,427 thousand), ¥15,081 million and ¥15,312 million for the years ended March 31, 2012, 2011 and 2010, respectively.

#### **(13) Impairment or Disposal of Long-Lived Assets**

In accordance with ASC 360, "Property, Plant and Equipment," 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, and calculated as the difference between the assets' 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 the 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 ASC 350, "Intangibles—Goodwill and Other," 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. This accounting standard 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 ASC 360. 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.

The Company recognizes in the consolidated financial statements the impact of a tax position, if any, based on the technical merits of the position, when that position is more likely than not to be sustained upon examination. The benefit of the tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement with the appropriate tax authority.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements 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, 2012, 2011 and 2010 were ¥3,541 million (\$43,183 thousand), ¥4,034 million and ¥4,665 million, respectively.

**(19) Derivative Financial Instruments**

The Company accounts for derivative financial instruments in accordance with ASC 815, "Derivatives and Hedging."

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 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 necessary for effective hedges which include their risk management objective and strategy for undertaking various hedge transactions. In addition, formal assessment is made at inception of the hedge and periodically on an on-going basis, as to whether the derivatives

used in hedging activities are highly effective in off-setting changes in fair values or cash flow of hedged items. Hedge accounting is discontinued for ineffective hedges, if any. Discontinued hedges are recognized in 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, 2012, 2011 and 2010 was 218,217 thousand shares, 218,032 thousand shares and 218,035 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2012, 2011 or 2010.

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, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the carrying amounts of inventories, deferred insurance acquisition costs, investment securities, other investments, property, plant and equipment, goodwill, other intangible assets, and unearned premiums and other insurance liabilities; valuation of receivables; valuation allowances for deferred income taxes; valuation of derivative instruments; assets and obligations related to employee benefits; income tax uncertainties; and other contingencies.

**(22) Recent Pronouncements**

In September 2009, the FASB issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements, a Consensus of the FASB Emerging Issues Task Force." This accounting standard addresses the accounting for multiple-deliverable arrangements to enable the vendor to account for products or services separately rather than as a combined unit, and also addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. This accounting standard is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, and was adopted by the Company in the fiscal year ended March 31, 2012. The adoption of this accounting standard did not have a material impact on the Company's consolidated results of operations and financial position.

In October 2009, the FASB issued ASU No. 2009-14, "Certain Revenue Arrangements That Include Software Elements, a Consensus of the FASB Emerging Issues Task Force." This accounting standard modifies the scope of the software revenue recognition guidance and excludes tangible products containing software components and nonsoftware components that function together to deliver the tangible product's essential functionality from the scope. This accounting standard is effective for fiscal years beginning on or after June 15, 2010, and was adopted by the Company in the fiscal year ended March 31, 2012. The adoption of this accounting standard did not have a material impact on the Company's consolidated results of operations and financial position.

In October 2010, the FASB issued ASU No. 2010-26, "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts, a Consensus of the FASB Emerging Issues Task Force." This accounting standard redefines the definition of acquisition costs qualifying for deferral to be costs that are related directly to the successful acquisition of new or renewal insurance contracts. This accounting standard is effective for fiscal years beginning after December 15, 2011, and will be adopted by the Company in the fiscal year beginning April 1, 2012. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

In April 2011, the FASB issued ASU No. 2011-02, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring." This accounting standard provides the criteria as to whether a loan modification constitutes a troubled debt restructuring and requires additional disclosures about troubled debt restructurings. This accounting standard is effective for fiscal years beginning on or after June 15, 2011, and will be adopted by the Company in the fiscal year beginning April 1, 2012. It is not anticipated that the adoption will have a material impact on the Company's consolidated results of operations or financial position.

In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This accounting standard amends current U.S. GAAP to create more commonality with IFRSs by changing the wording used to describe requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. This accounting standard is effective for fiscal years beginning after December 15, 2011, and will be adopted by the Company in the fiscal year beginning April 1, 2012. It is not anticipated that the adoption will have a material impact on the Company's consolidated results of operations or financial position.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income." In presenting other comprehensive income and its components in financial statement, this accounting standard eliminates the current option to present the components of other comprehensive income as part of the statement of changes in equity. This accounting standard also requires reclassifications between other comprehensive income and net income to be disclosed on the face of financial statements. Furthermore, in December 2011, the FASB issued ASU No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." These accounting standards are effective for fiscal years beginning after December 15, 2011, and will be adopted by the Company in the fiscal year beginning April 1, 2012. As these accounting standards are a provision for presentation, the adoption will not have impact on the Company's consolidated results of operations or financial position.

In September 2011, the FASB issued ASU No. 2011-08, "Testing Goodwill for Impairment." This accounting standard permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. This accounting standard

is effective for fiscal years beginning after December 15, 2011, and will be adopted by the Company in the fiscal year beginning April 1, 2012. 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 2011, the FASB issued ASU No. 2011-11, "Disclosures about Offsetting Assets and Liabilities." This accounting standard requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This accounting standard is effective for fiscal years beginning on or after January 1, 2013, and will be adopted by the Company in the fiscal year beginning April 1, 2013. As this accounting standard is a provision for disclosure, the adoption will not have impact on the Company's consolidated results of operations or financial position.

### **(23) Reclassifications**

The accompanying consolidated financial statements for the years ended March 31, 2011 and 2010 have been reclassified to conform to the presentation used for the year ended March 31, 2012.

### **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 ¥82=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2012. 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. Acquisitions**

In July 2009, the Company acquired all outstanding shares of MAC International Co., Ltd. by foreclosing on the Company's long-term receivables of ¥3,733 million and other short-term receivables of ¥1,000 million due from MAC International Co., Ltd. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. Short-term borrowing of ¥5,684 million and long-term debt of ¥868 million from domestic subsidiaries were eliminated in consolidation.

	In millions of yen
Cash and cash equivalents .....	¥ 1,037
Other current assets.....	322
Investments and long-term receivables.....	8,941
Property, plant and equipment .....	4,138
Goodwill.....	702
Other assets.....	20
Total assets acquired .....	15,160
Current liabilities.....	5,798
Other liabilities.....	4,629
Total liabilities assumed .....	10,427
Net assets acquired .....	¥ 4,733

In February 2010, MAC International Co., Ltd. was merged into Secom Medical System Co., Ltd., a subsidiary of the Company.

The pro-forma results related to this acquisition are not disclosed because the impact on the consolidated financial statements is not material.

## 5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2012 and 2011 were comprised of the following:

	In millions of yen		In thousands of U.S. dollars		
	March 31		March 31		
	2012	2011		2012	
Cash .....	¥145,450	¥120,371	\$1,773,781		
Time deposits .....	36,948	41,427	450,585		
Call loan .....	28,000	29,500	341,463		
Investment securities.....	2,642	2,644	32,220		
	¥213,040	¥193,942	\$2,598,049		

Investment securities include negotiable certificates of deposit and money management funds. These agreements mature within three months and their carrying values approximate fair value. 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 ¥54,011 million (\$658,671 thousand) and ¥56,546 million at March 31, 2012 and 2011, respectively, are segregated from cash and cash equivalents and are restricted as to use by the Company. The Company funds most of the cash for such operations through bank overdrafts and deposits. Bank loans and deposits received, which relate to these operations, were ¥27,659 million (\$337,305 thousand) and ¥21,921 million (\$267,329 thousand), respectively, at March 31, 2012, and ¥29,387 million and ¥20,659 million, respectively, at March 31, 2011. 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 (noncurrent) 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, 2012 and 2011 were as follows:

	In millions of yen				
	March 31, 2012				
	Cost	Gains	Losses	Fair value	
<b>Short-term investments:</b>					
Available-for-sale:					
Debt securities .....	¥17,245	¥ 52	¥ 3	¥ 17,294	
	¥17,245	¥ 52	¥ 3	¥ 17,294	
<b>Investment securities:</b>					
Available-for-sale:					
Equity securities .....	¥28,606	¥6,015	¥ 87	¥ 34,534	
Debt securities .....	60,406	1,749	41	62,114	
Held-to-maturity:					
Debt securities .....	7,461	55	4	7,512	
	¥96,473	¥7,819	¥132	¥104,160	

	In millions of yen				
	March 31, 2011				
	Gross unrealized				
	Cost	Gains	Losses	Fair value	
<b>Short-term investments:</b>					
Available-for-sale:					
Debt securities .....	¥ 6,358	¥ 27	¥ 2	¥ 6,383	
Held-to-maturity:					
Debt securities .....	10	0	—	10	
	¥ 6,368	¥ 27	¥ 2	¥ 6,393	
<b>Investment securities:</b>					
Available-for-sale:					
Equity securities .....	¥ 29,930	¥4,460	¥2,059	¥ 32,331	
Debt securities .....	71,170	2,289	660	72,799	
Held-to-maturity:					
Debt securities .....	7,473	20	49	7,444	
	¥108,573	¥6,769	¥2,768	¥112,574	
	In thousands of U.S. dollars				
	March 31, 2012				
	Cost	Gains	Losses	Fair value	

	In millions of yen				
	March 31, 2012				
	Gross unrealized				
	Cost	Gains	Losses	Fair value	
<b>Short-term investments:</b>					
Available-for-sale:					
Debt securities .....	\$ 210,305	\$ 634	\$ 37	\$ 210,902	
	\$ 210,305	\$ 634	\$ 37	\$ 210,902	
<b>Investment securities:</b>					
Available-for-sale:					
Equity securities .....	\$ 348,853	\$73,354	\$1,061	\$ 421,146	
Debt securities .....	736,659	21,329	500	757,488	
Held-to-maturity:					
Debt securities .....	90,988	671	49	91,610	
	\$1,176,500	\$95,354	\$1,610	\$1,270,244	

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, 2012 were as follows:

	In millions of yen				
	March 31, 2012				
	Less than 12 months				12 months or longer
	Fair value	Gross unrealized losses		Fair value	Gross unrealized losses
<b>Available-for-sale:</b>					
Equity securities.....	¥ 729	¥ 87		¥—	¥—
Debt securities.....	18,220	44		—	—
	¥18,949	¥131		¥—	¥—
<b>Held-to-maturity:</b>					
Debt securities.....	¥ 49	¥ 4		¥—	¥—

	In thousands of U.S. dollars			
	March 31, 2012			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities.....	\$ 8,890	\$1,061	\$—	\$—
Debt securities.....	222,195	537	—	—
	<b>\$231,085</b>	<b>\$1,598</b>	<b>\$—</b>	<b>\$—</b>
Held-to-maturity:				
Debt securities.....	\$ 598	\$ 49	\$—	\$—

Based on the Company's ability and intent to hold the investment for a reasonable period of time sufficient for a recovery of fair value, the credit condition of the issuers and other relevant factors, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2012.

At March 31, 2012, 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, 2012 are as follows:

	In millions of yen			
	March 31, 2012			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year .....	¥17,245	¥17,294	¥ —	¥ —
Due after 1 year through 5 years .....	23,941	24,686	—	—
Due after 5 years through 10 years .....	27,896	28,446	1,499	1,511
Due after 10 years .....	8,569	8,982	5,962	6,001
	<b>¥77,651</b>	<b>¥79,408</b>	<b>¥7,461</b>	<b>¥7,512</b>

	In thousands of U.S. dollars			
	March 31, 2012			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year .....	\$210,305	\$210,902	\$ —	\$ —
Due after 1 year through 5 years .....	291,964	301,049	—	—
Due after 5 years through 10 years .....	340,195	346,902	18,280	18,427
Due after 10 years .....	104,500	109,537	72,708	73,183
	<b>\$946,964</b>	<b>\$968,390</b>	<b>\$90,988</b>	<b>\$91,610</b>

During the years ended March 31, 2012, 2011 and 2010, the net unrealized gains and losses on "available-for-sale" securities included as part of other comprehensive income (loss), net of tax, increased by ¥2,515 million (\$30,672 thousand), decreased by ¥3,472 million and increased by ¥9,200 million, respectively.

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2012, 2011 and 2010 were ¥72,223 million (\$880,768 thousand), ¥17,187 million and ¥31,328 million, respectively. On those sales, the gross realized gains and gross realized losses, using moving-average cost basis, for the years ended March 31, 2012, 2011 and 2010 were as follows:

	In thousands of U.S. dollars	
	Years ended March 31	
	2012	2011
Gross realized gains .....	¥1,950	¥2,916
Gross realized losses .....	662	752
	<b>¥23,780</b>	<b>¥8,073</b>

The Company maintains long-term investment securities, issued by a number of non-public companies, included as investment securities in the consolidated balance sheets. The aggregate carrying amount of the investments in non-public companies, at cost net of other-than-temporary impairment, was ¥9,756 million (\$118,976 thousand) and ¥10,407 million at March 31, 2012 and 2011, respectively. The corresponding fair value at that date was not computed as such estimation was not practical.

## 8. Inventories

Inventories at March 31, 2012 and 2011 were comprised of the following:

	In thousands of U.S. dollars	
	March 31	
	2012	2011
Security-related products.....	¥ 7,473	¥ 5,596
Fire protection-related products .....	11,942	10,518
Real estate .....	42,359	59,913
Information and other-related products .....	5,320	5,742
	<b>¥67,094</b>	<b>¥81,769</b>
		<b>\$818,220</b>

Work in process for real estate inventories at March 31, 2012 and 2011, amounting to ¥33,277 million (\$405,817 thousand) and ¥48,432 million, respectively, are included in real estate.

Costs on uncompleted construction contracts at March 31, 2012 and 2011, amounting to ¥5,872 million (\$71,610 thousand) and ¥4,468 million, respectively, are included in fire protection-related products.

The amount of write-down on real estate inventories included in cost of sales for the years ended March 31, 2012, 2011 and 2010 were ¥20,723 million (\$252,720 thousand), ¥1,482 million and ¥1,285 million, respectively.

## 9. Credit Quality of Financing Receivables and Allowance for Doubtful Accounts

The Company has financing receivables and classifies them into five categories; "lease receivable," "loans receivable resulting from medical services," "loans receivable resulting from insurance services," "other loans receivable" and "other." Financing receivables classified as "lease receivable" are resulting from lease transactions of security equipment and real estate for office and medical institutions.

The Company continuously monitors overdue financing receivables, which the Company considers as uncollectible risk receivables. For financing receivables with specific customer collection issues, the Company individually evaluates their collectability in order to determine the amount of allowance for doubtful accounts. For other financing receivables, the Company categorizes these receivables into groups by their nature and characteristics. The Company collectively evaluates the collectability by each group, using its historical experience of write-off and determines the amount of allowance for doubtful accounts.

Financing receivables and allowance for doubtful accounts at March 31, 2012 and 2011 are as follows:

	In millions of yen					
	Year ended March 31, 2012					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
<b>Allowance for doubtful accounts:</b>						
Balance at beginning of year.....	¥ 427	¥ 2,629	¥ 1,023	¥ 3,027	¥ 1,180	¥ 8,286
Provision (Reversal)..	112	(117)	(41)	(71)	80	(37)
Charge off.....	(169)	—	(311)	(50)	(125)	(655)
Other* .....	14	—	—	259	(242)	31
Balance at end of year .....	384	2,512	671	3,165	893	7,625
Individually evaluated .....	62	2,512	626	3,165	893	7,258
Collectively evaluated .....	¥ 322	¥ —	¥ 45	¥ —	¥ —	¥ 367
<b>Financing receivables:</b>						
Individually evaluated .....	67	13,439	887	3,362	920	18,675
Collectively evaluated .....	26,251	507	3,912	4,160	180	35,010
	¥26,318	¥13,946	¥4,799	¥7,522	¥1,100	¥53,685

\* "Other" principally includes the effect of changes in foreign currency exchange rates.

	In millions of yen					
	March 31, 2011					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
<b>Allowance for doubtful accounts:</b>						
Individually evaluated .....	¥ 41	¥ 2,629	¥ 874	¥ 2,957	¥ 1,180	¥ 7,681
Collectively evaluated .....	386	—	149	70	—	605
	¥ 427	¥ 2,629	¥ 1,023	¥ 3,027	¥ 1,180	¥ 8,286
<b>Financing receivables:</b>						
Individually evaluated .....	¥ 44	¥ 12,326	¥ 1,417	¥ 3,128	¥ 1,218	¥ 18,133
Collectively evaluated .....	25,551	413	6,659	3,165	196	35,984
	¥25,595	¥12,739	¥8,076	¥6,293	¥1,414	¥54,117
	In thousands of U.S. dollars					
	Year ended March 31, 2012					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
<b>Allowance for doubtful accounts:</b>						
Balance at beginning of year.....	\$ 5,207	\$ 32,061	\$ 12,476	\$ 36,915	\$ 14,390	\$ 101,049
Provision (Reversal) ..	1,366	(1,427)	(500)	(866)	976	(451)
Charge off.....	(2,061)	—	(3,793)	(610)	(1,524)	(7,988)
Other* .....	171	—	—	3,159	(2,952)	378
Balance at end of year .....	4,683	30,634	8,183	38,598	10,890	92,988
Individually evaluated .....	756	30,634	7,634	38,598	10,890	88,512
Collectively evaluated .....	\$ 3,927	\$ —	\$ 549	\$ —	\$ —	\$ 4,476
<b>Financing receivables:</b>						
Individually evaluated .....	\$817	\$163,890	\$10,817	\$41,000	\$11,220	\$227,744
Collectively evaluated .....	320,134	6,183	47,707	50,732	2,195	426,951
	\$320,951	\$170,073	\$58,524	\$91,732	\$13,415	\$654,695

\* "Other" principally includes the effect of changes in foreign currency exchange rates.

The Company ascribes the fact of past due and the financial position of the debtor to credit quality indicators and classifies financing receivables into Overdue and Current. Financing receivables determined to have no prospects for collecting contractual interest on the basis of past due date and other factors are no longer recorded as accruing interest.

Analysis of the age of the recorded financing receivables and financing receivables on nonaccrual status at March 31, 2012 and 2011 are as follows:

	In millions of yen					
	March 31, 2012					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current.....	¥26,251	¥13,642	¥3,912	¥4,308	¥ 679	¥48,792
Overdue.....	67	304	887	3,214	421	4,893
Total:						
Financing receivables ..	¥26,318	¥13,946	¥4,799	¥7,522	¥1,100	¥53,685
Financing receivables on nonaccrual status... 	¥ —	¥ 4,318	¥ 887	¥3,362	¥ —	¥ 8,567
	In millions of yen					
	March 31, 2011					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current.....	¥25,551	¥12,436	¥6,659	¥3,165	¥ 899	¥48,710
Overdue.....	44	303	1,417	3,128	515	5,407
Total:						
Financing receivables ..	¥25,595	¥12,739	¥8,076	¥6,293	¥1,414	¥54,117
Financing receivables on nonaccrual status... 	¥ —	¥ 4,614	¥1,417	¥3,128	¥ —	¥ 9,159
	In thousands of U.S. dollars					
	March 31, 2012					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current.....	\$320,134	\$166,366	\$47,707	\$52,537	\$ 8,280	\$595,024
Overdue.....	817	3,707	10,817	39,195	5,135	59,671
Total:						
Financing receivables ..	\$320,951	\$170,073	\$58,524	\$91,732	\$13,415	\$654,695
Financing receivables on nonaccrual status... 	\$ —	\$ 52,659	\$10,817	\$41,000	\$ —	\$104,476

Impaired receivables and the related allowance for doubtful accounts at March 31, 2012 and 2011 are as follows:

	In millions of yen					
	March 31, 2012					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Impaired receivables.....	¥67	¥13,439	¥887	¥3,362	¥920	¥18,675
Related allowance for doubtful accounts.....	62	2,512	626	3,165	893	7,258
	In millions of yen					
	March 31, 2011					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Impaired receivables.....	¥44	¥12,326	¥1,417	¥3,128	¥1,218	¥18,133
Related allowance for doubtful accounts.....	41	2,629	874	2,957	1,180	7,681
	In thousands of U.S. dollars					
	March 31, 2012					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Impaired receivables.....	\$817	\$163,890	\$10,817	\$41,000	\$11,220	\$227,744
Related allowance for doubtful accounts.....	756	30,634	7,634	38,598	10,890	88,512
	In thousands of U.S. dollars					
	March 31, 2011					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Average amounts of impaired receivables....	¥56	¥12,883	¥1,152	¥3,245	¥1,068	¥18,404
	In millions of yen					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Average amounts of impaired receivables....	\$683	\$157,110	\$14,049	\$39,573	\$13,024	\$224,439

The average amounts of impaired receivables for the year ended March 31, 2012 are as follows:

	In millions of yen					
	March 31, 2012					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Average amounts of impaired receivables....	¥56	¥12,883	¥1,152	¥3,245	¥1,068	¥18,404
	In thousands of U.S. dollars					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Average amounts of impaired receivables....	\$683	\$157,110	\$14,049	\$39,573	\$13,024	\$224,439

## 10. Investments in Affiliated Companies

The Company has investments in affiliated companies that are accounted for under the equity method. Investments principally consist of Taiwan Secom Co., Ltd., a 28.8 percent owned affiliate, which is listed on the Taiwan Stock Exchange; S1 Corporation, a 27.8 percent owned affiliate, which is listed on the Korea Exchange; Toyo Tech Co., Ltd., a 27.8 percent owned affiliate, which is listed on the Second Section of the Osaka Securities Exchange.

Combined 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	2012	March 31	2012
Current assets.....	¥ 91,723	¥ 72,049	\$ 1,118,573	
Noncurrent assets .....	102,770	111,349	1,253,293	
Total assets.....	¥194,493	¥183,398	\$ 2,371,866	
Current liabilities.....	¥ 39,545	¥ 34,272	\$ 482,256	
Noncurrent liabilities .....	34,506	32,458	420,805	
Equity .....	120,442	116,668	1,468,805	
Total liabilities and equity .....	¥194,493	¥183,398	\$ 2,371,866	

	In millions of yen		In thousands of U.S. dollars	
	Years ended March 31	2012	Year ended March 31	2012
Net sales.....	¥144,730	¥129,551	¥153,990	\$ 1,765,000
Gross profit.....	¥ 48,439	¥ 46,156	¥ 44,395	\$ 590,720
Net income attributable to affiliated companies....	¥ 16,683	¥ 16,933	¥ 14,105	\$ 203,451

Dividends received from affiliated companies for the years ended March 31, 2012, 2011 and 2010 were ¥2,324 million (\$28,341 thousand), ¥2,175 million and ¥2,295 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥27,738 million (\$338,268 thousand) and ¥27,555 million at March 31, 2012 and 2011, respectively, had a quoted market value of ¥60,164 million (\$733,707 thousand) and ¥61,259 million at March 31, 2012 and 2011, respectively.

The amounts of goodwill were ¥2,931 million (\$35,744 thousand) and ¥3,254 million at March 31, 2012 and 2011, respectively.

In June 2010, the parent company sold the outstanding share of Tokyo Biso Kogyo Corporation, a 36.6 percent owned affiliate, to TB Holdings Corporation for ¥5,055 million. The sale resulted in a loss of ¥513 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	
	2012	2011	2010	2012
Sales.....	¥2,113	¥1,669	¥1,597	\$ 25,768
Purchases.....	¥6,125	¥5,128	¥6,504	\$ 74,695

	In millions of yen		In thousands of U.S. dollars	
	Years ended March 31		Year ended March 31	
	2012	2011	2010	2012
Notes and accounts receivable, trade .....	¥ 457	¥ 460	¥ 5,573	\$ 5,573
Loans receivable.....	¥ 375	¥ 81	¥ 4,573	\$ 4,573
Notes and accounts payable.....	¥2,884	¥2,261	¥35,171	\$ 35,171
Guarantees for bank loans.....	¥ 127	¥ 150	¥ 1,549	\$ 1,549

The Company's equity in undistributed income of affiliates at March 31, 2012 and 2011 included in retained earnings was ¥30,112 million (\$367,220 thousand) and ¥26,319 million, respectively.

## 11. Long-Lived Assets

The Company has assessed the potential impairment of its long-lived assets. As a result of a significant decrease in revenue forecasts, the Company principally recognized impairment losses on real estate of the other services for the year ended March 31, 2012. 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, 2012, 2011 and 2010 was as follows:

	In millions of yen		In thousands of U.S. dollars	
	Years ended March 31		Year ended March 31	
	2012	2011	2010	2012
Security services .....	¥ —	¥ —	¥ 83	\$ —
Fire protection services.....	48	—	15	\$ 585
Medical services.....	—	1	—	—
Insurance services .....	—	—	—	—
Geographic information services .....	18	2	149	\$ 220
Real estate development and sales.....	—	—	—	—
Information and communication related and other services.....	8,067	—	45	\$ 98,378
Corporate items.....	—	—	—	—
	¥8,133	¥ 3	¥292	\$ 99,183

## 12. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2012 and 2011 were as follows:

	In millions of yen		
	March 31, 2012		
	Gross carrying amount	Accumulated amortization	Net carrying amount
<b>Amortized intangible assets:</b>			
Software.....	<b>¥40,480</b>	(¥24,229)	¥16,251
Other.....	<b>4,091</b>	(2,165)	1,926
	<b>¥44,571</b>	(¥26,394)	¥18,177
<b>Unamortized intangible assets.....</b>			
	<b>¥ 4,128</b>	¥ —	¥ 4,128
	In millions of yen		
	March 31, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount
<b>Amortized intangible assets:</b>			
Software.....	¥38,234	(¥21,933)	¥16,301
Other.....	5,104	(2,965)	2,139
	<b>¥43,338</b>	(¥24,898)	¥18,440
<b>Unamortized intangible assets.....</b>			
	<b>¥ 4,153</b>	¥ —	¥ 4,153
	In thousands of U.S. dollars		
	March 31, 2012		
	Gross carrying amount	Accumulated amortization	Net carrying amount
<b>Amortized intangible assets:</b>			
Software.....	<b>\$493,659</b>	(\$295,476)	\$198,183
Other.....	<b>49,890</b>	(26,402)	23,488
	<b>\$543,549</b>	(\$321,878)	\$221,671
<b>Unamortized intangible assets.....</b>			
	<b>\$ 50,341</b>	\$ —	<b>\$ 50,341</b>

Aggregate amortization expense for the years ended March 31, 2012, 2011 and 2010 was ¥6,120 million (\$74,634 thousand), ¥6,236 million and ¥5,785 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
2013.....	¥5,167	\$63,012
2014.....	4,741	57,817
2015.....	3,563	43,451
2016.....	2,361	28,793
2017.....	1,430	17,439

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2012 and 2011 were as follows:

	In millions of yen						
	Security services	Fire protection services	Medical services	Geographic information services	Real estate development and sales	Communication related and other services	Total
Goodwill.....	¥2,322	¥—	¥9,970	¥4,269	¥135	¥2,002	¥18,698
Accumulated impairment losses.....	(406)	—	(4,338)	(492)	(135)	(175)	(5,546)
March 31, 2010....	1,916	—	5,632	3,777	—	1,827	13,152
Goodwill acquired during the year ...	675	81	—	711	—	—	1,467
Disposal.....	—	—	—	—	—	—	—
Impairment losses.....	—	—	—	—	—	—	—
Translation adjustment .....	(99)	—	—	(70)	—	—	(169)
Goodwill.....	2,898	81	9,970	4,910	135	2,002	19,996
Accumulated impairment losses.....	(406)	—	(4,338)	(492)	(135)	(175)	(5,546)
March 31, 2011....	2,492	81	5,632	4,418	—	1,827	14,450
Goodwill acquired during the year ...	1,021	—	—	102	—	—	1,123
Disposal.....	—	—	—	—	—	—	—
Impairment losses.....	(793)	—	(269)	(156)	—	—	(1,218)
Translation adjustment .....	(99)	—	—	(21)	—	—	(120)
Goodwill.....	3,820	81	9,970	4,991	135	2,002	20,999
Accumulated impairment losses.....	(1,199)	—	(4,607)	(648)	(135)	(175)	(6,764)
March 31, 2012....	¥2,621	¥ 81	¥5,363	¥4,343	¥ —	¥1,827	¥14,235
	In thousands of U.S. dollars						
	Security services	Fire protection services	Medical services	Geographic information services	Real estate development and sales	Communication related and other services	Total
Goodwill.....	\$35,341	\$988	\$121,585	\$59,878	\$1,646	\$24,414	\$243,852
Accumulated impairment losses.....	(4,951)	—	(52,902)	(6,000)	(1,646)	(2,134)	(67,633)
March 31, 2011....	30,390	988	68,683	53,878	—	22,280	176,219
Goodwill acquired during the year ...	12,451	—	—	1,244	—	—	13,695
Disposal.....	—	—	—	—	—	—	—
Impairment losses.....	(9,671)	—	(3,281)	(1,902)	—	—	(14,854)
Translation adjustment .....	(1,206)	—	—	(256)	—	—	(1,462)
Goodwill.....	46,586	988	121,585	60,866	1,646	24,414	256,085
Accumulated impairment losses.....	(14,622)	—	(56,183)	(7,902)	(1,646)	(2,134)	(82,487)
March 31, 2012....	\$31,964	\$988	\$65,402	\$52,964	\$ —	\$22,280	\$173,598

The Company recognized impairment losses primarily related to goodwill allocated to reporting units in the security services segment of ¥793 million (\$9,671 thousand) for the year ended March 31, 2012, due to decreases in the estimated fair value of these reporting units mainly caused by decreases of projected cash flows. In addition, the Company recognized impairment losses of ¥269 million (\$3,281 thousand) and ¥156 million (\$1,902 thousand) in the medical services segment and the geographic information services segment, respectively.

The fair value is determined by the estimated present value of future cash flows.

### 13. Bank Loans and Long-Term Debt

Bank loans of ¥40,762 million (\$497,098 thousand) and ¥47,698 million at March 31, 2012 and 2011, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 1.24 percent and 1.19 percent at March 31, 2012 and 2011, 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, 2012, Nohmi Bosai Ltd., a subsidiary of the parent company, had an unused committed line of credit from a short-term arrangement of ¥4,000 million (\$48,780 thousand). The line of credit expires in March 2013. Under the agreement, Nohmi Bosai Ltd. is required to pay committed fees at an annual rate of 0.15 percent, on the unused portion of the line of credit. At March 31, 2012, the Company had overdraft agreements with 18 banks and its unused lines of credit amounted to ¥16,905 million (\$206,159 thousand). The Company incurs no fee on the unused portion of the lines of credit. The overdraft agreements expire in the period from April 2012 to March 2013. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2012 and 2011 comprised the following:

	In thousands of U.S. dollars		
	In millions of yen		March 31
	2012	2011	
Loans, principally from banks due 2011–2033 with interest rates ranging from 0.60% to 10.05% in 2012 and 2011:			
Secured.....	¥22,619	¥25,205	\$275,841
Unsecured.....	9,174	10,160	111,878
1.14% unsecured bonds due 2013.....	3,060	3,570	37,317
1.13% unsecured bonds due 2014.....	1,557	1,644	18,988
Unsecured bonds due 2011–2017 with floating interest rates based on 6-month TIBOR plus 0.00%–0.20%.....	10,992	11,793	134,049
Obligations under capital leases, due 2011–2040 (Note 20).....	11,674	12,566	142,366
	59,076	64,938	720,439
Less: Portion due within one year.....	(22,053)	(11,918)	(268,939)
	¥37,023	¥53,020	\$451,500

Assets pledged as collateral for bank loans and long-term debt at March 31, 2012 and 2011 were as follows:

	In thousands of U.S. dollars		
	In millions of yen		March 31
	March 31	2012	
Time deposits .....	¥ 2,210	¥ 1,993	\$ 26,951
Short-term and long-term receivables ...	5,472	5,334	66,732
Investment securities.....	695	606	8,476
Property, plant and equipment.....	55,101	55,755	671,963
Other intangible assets.....	818	818	9,976

The aggregate annual maturities on long-term debt at March 31, 2012 are as follows:

Years ending March 31	In thousands of U.S. dollars	
	In millions of yen	March 31
2013.....	¥22,053	\$268,939
2014.....	11,216	136,780
2015.....	8,621	105,134
2016.....	3,199	39,012
2017.....	3,416	41,659
Thereafter.....	10,571	128,915
	¥59,076	\$720,439

### 14. Insurance-Related Operations

Secom General Insurance Co., Ltd. ("Secom Insurance"), a subsidiary of the parent company, maintains accounting records as noted in Note 2 in accordance with Japanese GAAP, which vary in certain respects from U.S. GAAP. Those differences are principally, (a) that insurance acquisition costs are charged to expense when incurred under Japanese GAAP whereas under U.S. GAAP, 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 under U.S. GAAP, 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 under U.S. GAAP, 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. GAAP.

The net equity of Secom Insurance at March 31, 2012 and 2011 was ¥44,541 million (\$543,183 thousand) and ¥45,838 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 and losses, including loss on other-than-temporary impairment, for the years ended March 31, 2012, 2011 and 2010 were gains of ¥328 million (\$4,000 thousand) and ¥838 million, and losses of ¥3,309 million, respectively. Loss on other-than-temporary impairment of investment securities for the years ended March 31, 2012, 2011 and 2010 were ¥883 million (\$10,768 thousand), ¥681 million and ¥4,558 million, respectively.

### 15. Pension and Severance Costs

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

The parent company and certain domestic subsidiaries have adopted a cash balance pension plan and a defined contribution pension plan. 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.

In July 2011, Secom General Insurance Co., Ltd., a subsidiary of the parent company, settled and transferred a portion of the tax-qualified non-contributory pension plan to the defined contribution pension plan. In accordance with ASC 715, "Compensation—Retirement Benefits," the Company accounted for these transfers as a partial settlement of benefit obligation. The amount of settlement loss was immaterial for the year ended March 31, 2012.

Net periodic pension and severance costs for the years ended March 31, 2012, 2011 and 2010 were as follows:

	In millions of yen		In thousands of U.S. dollars	
	Years ended March 31	Year ended March 31	2012	2011
Net periodic pension and severance costs:				
Service cost.....	¥5,560	¥6,313	¥4,424	\$67,805
Interest cost.....	1,572	1,610	1,476	19,171
Expected return on plan assets.....	(2,130)	(2,065)	(1,997)	(25,976)
Amortization of prior service benefit.....	(1,649)	(1,687)	(1,682)	(20,110)
Recognized actuarial loss.....	1,222	924	901	14,903
Net periodic pension and severance costs.....	¥4,575	¥5,095	¥3,122	\$55,793

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

	In millions of yen		In thousands of U.S. dollars	
	Years ended		Year ended March 31	2012
	March 31	2011		
<b>Change in benefit obligation:</b>				
Benefit obligation at beginning of year.....	¥82,500	¥72,524		\$1,006,098
Effect of adopting ASU No. 2009-17.....	—	4,244		—
Service cost.....	5,560	6,313		67,805
Interest cost.....	1,572	1,610		19,171
Actuarial loss.....	1,487	2,173		18,134
Prior service benefit.....	(25)	(263)		(305)
Benefits paid.....	(4,957)	(4,941)		(60,451)
Acquisition.....	—	840		—
Settlement.....	(352)	—		(4,293)
Benefit obligation at end of year .....	85,785	82,500		1,046,159
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of year.....	67,831	60,763		827,207
Effect of adopting ASU No. 2009-17.....	—	2,200		—
Actual return on plan assets.....	1,831	1,975		22,329
Employer contribution.....	6,439	5,829		78,525
Benefits paid.....	(3,537)	(3,342)		(43,134)
Acquisition.....	—	406		—
Settlement.....	(354)	—		(4,317)
Fair value of plan assets at end of year .....	72,210	67,831		880,610
<b>Funded status</b>				
at the end of year .....	(¥13,575)	(¥14,669)		(\$ 165,549)

Amounts recognized in the consolidated balance sheet at March 31, 2012 and 2011 consist of:

	In millions of yen		In thousands of U.S. dollars	
	Years ended		March 31	2012
	March 31	2011		
Prepaid pension and severance costs.....	¥ 7,846	¥ 6,500		\$ 95,683
Accrued pension and severance costs.....	(21,421)	(21,169)		(261,232)
Net amount recognized.....	(¥13,575)	(¥14,669)		(\$ 165,549)

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2012 were summarized as follows:

	In millions of yen	In thousands of U.S. dollars
Current year actuarial loss .....	¥1,786	\$21,781
Amortization of actuarial loss .....	(1,222)	(14,903)
Settlement of actuarial loss .....	59	720
Current year prior service benefit .....	(25)	(305)
Amortization of prior service benefit .....	1,649	20,110
	¥2,247	\$27,403

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2012 and 2011 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31 2012	March 31 2011	
Actuarial loss .....	¥32,652	¥32,029	\$398,195
Prior service benefit .....	(7,806)	(9,430)	(95,195)
Net amount recognized .....	¥24,846	¥22,599	\$303,000

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 ¥1,627 million (\$19,841 thousand) and ¥1,407 million (\$17,159 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥78,805 million (\$961,037 thousand) and ¥75,894 million at March 31, 2012 and 2011, 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 ¥35,768 million (\$436,195 thousand), ¥32,102 million (\$391,488 thousand) and ¥14,555 million (\$177,500 thousand), respectively, at March 31, 2012, and ¥34,647 million, ¥31,206 million and ¥13,644 million, respectively, at March 31, 2011.

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, 2012 and 2011 were as follows:

	March 31	
	2012	2011
Discount rate .....	1.8%	2.1%
Rate of compensation increase .....	2.6%	2.6%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2012, 2011 and 2010 were as follows:

	Years ended March 31		
	2012	2011	2010
Discount rate .....	2.1%	2.2%	2.1%
Expected return on plan assets .....	3.0%	3.0%	3.0%
Rate of compensation increase .....	2.6%	2.6%	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 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 pooled funds with the objective to minimize risk and achieve the expected rate of return. The investment results are periodically checked and asset allocation is adjusted as necessary.

The following table represents the fair value of the Company's pension plan assets at March 31, 2012 and 2011. The three levels of input used to measure fair value are more fully described in Note 23.

	In millions of yen			
	March 31, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	¥ 1,720	¥ —	¥ —	¥ 1,720
Equity securities				
Japanese companies .....	9,420	—	—	9,420
Debt securities				
Government bonds .....	5,772	66	1	5,839
Nongovernment bonds .....	1,530	—	794	2,324
Pooled fund .....	—	23,150	16,669	39,819
Call loans .....	—	6,630	—	6,630
Insurance contracts .....	—	6,349	—	6,349
Other .....	—	(341)	450	109
	¥18,442	¥35,854	¥17,914	¥72,210

\*The plan's equity securities include common stock of the parent company and its domestic subsidiaries in the amount of ¥182 million at March 31, 2012.

\*The plan's government bonds invest approximately 95% in Japanese bonds and 5% in foreign bonds. The nongovernment bonds invest approximately 65% in Japanese bonds and 35% in foreign bonds.

\*The pension investment trust fund included in the plan's pooled funds is classified as level 2, and invests approximately 40% in equity securities, 55% in debt securities and 5% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as level 3.

	In millions of yen			
	March 31, 2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	¥ 1,053	¥ —	¥ —	¥ 1,053
Equity securities				
Japanese companies .....	6,963	50	—	7,013
Debt securities				
Government bonds .....	5,978	938	6	6,922
Nongovernment bonds .....	2,333	—	651	2,984
Pooled fund.....	741	20,607	16,113	37,461
Call loans.....	—	6,646	—	6,646
Insurance contracts....	—	5,652	—	5,652
Other.....	—	100	—	100
	¥17,068	¥33,993	¥16,770	¥67,831

\*The plan's equity securities include common stock of the the parent company in the amount of ¥40 million at March 31, 2011.

\*The plan's government bonds invest approximately 95% in Japanese bonds and 5% in foreign bonds. The nongovernment bonds invest approximately 80% in Japanese bonds and 20% in foreign bonds.

\*The pension investment trust fund included in the plan's pooled funds is classified as level 2, and invests approximately 50% in equity securities, 45% in debt securities and 5% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as level 3.

	In thousands of U.S. dollars			
	March 31, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	\$ 20,976	\$ —	\$ —	\$ 20,976
Equity securities				
Japanese companies .....	114,878	—	—	114,878
Debt securities				
Government bonds .....	70,390	805	12	71,207
Nongovernment bonds .....	18,658	—	9,683	28,341
Pooled fund.....	—	282,317	203,281	485,598
Call loans.....	—	80,854	—	80,854
Insurance contracts....	—	77,427	—	77,427
Other.....	—	(4,159)	5,488	1,329
	\$224,902	\$437,244	\$218,464	\$880,610

\*The plan's equity securities include common stock of the parent company and its domestic subsidiaries in the amount of \$2,220 million at March 31, 2012.

\*The plan's government bonds invest approximately 95% in Japanese bonds and 5% in foreign bonds. The nongovernment bonds invest approximately 65% in Japanese bonds and 35% in foreign bonds.

\*The pension investment trust fund included in the plan's pooled funds is classified as level 2, and invests approximately 40% in equity securities, 55% in debt securities and 5% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as level 3.

The following table represents the changes in level 3 investments for the years ended March 31, 2012 and 2011.

	In millions of yen				
	Year ended March 31, 2012				
	Debt securities		Non-government bonds		
	Government bonds	Non-government bonds	Pooled funds	Other	Total
Balance at beginning of year.....	¥ 6	¥651	¥16,113	¥ —	¥16,770
Actual return on plan assets:					
Relating to assets sold during the year .....	—	273	298	—	571
Relating to assets held at end of year .....	(3)	143	179	—	319
Purchases, sales and settlements, net.....	(2)	(273)	79	450	254
Transfer into level 3.....	—	—	—	—	—
Balance at end of year .....	¥ 1	¥794	¥16,669	¥450	¥17,914

	In millions of yen					
	Year ended March 31, 2011					
	Equity securities		Debt securities			
	Japanese companies	Government bonds	Non-government bonds	Pooled funds	Other	Total
Balance at beginning of year.....	¥ 7	¥61	¥702	¥ 9,790	¥ 8	¥10,568
Actual return on plan assets:						
Relating to assets sold during the year .....	—	—	48	198	—	246
Relating to assets held at end of year .....	—	—	896	(214)	—	682
Purchases, sales and settlements, net.....	(7)	(55)	(995)	4,563	(8)	3,498
Transfer into level 3.....	—	—	—	1,776	—	1,776
Balance at end of year .....	¥—	¥ 6	¥651	¥16,113	¥—	¥16,770

	In thousands of U.S. dollars					
	Year ended March 31, 2012					
	Debt securities		Non-government bonds			
	Government bonds	Non-government bonds	Pooled funds	Other	—	Total
Balance at beginning of year.....	\$73	\$7,939	\$196,500	\$ —	\$204,512	
Actual return on plan assets:						
Relating to assets sold during the year .....	—	3,329	3,634	—	6,963	
Relating to assets held at end of year .....	(37)	1,744	2,183	—	3,890	
Purchases, sales and settlements, net.....	(24)	(3,329)	964	5,488	3,099	
Transfer into level 3.....	—	—	—	—	—	
Balance at end of year .....	\$12	\$9,683	\$203,281	\$5,488	\$218,464	

The Company expects to contribute ¥5,784 million (\$70,537 thousand) to its domestic defined benefit plans in the year ending March 31, 2013.

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
2013.....	¥ 4,572	\$ 55,756
2014.....	4,830	58,902
2015.....	3,974	48,463
2016.....	4,731	57,695
2017.....	4,466	54,463
2018–2022.....	26,195	319,451

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, 2012, 2011 and 2010 were ¥1,613 million (\$19,671 thousand), ¥1,596 million and ¥1,468 million, respectively.

#### 16. Exchange Gains and Losses

Other expenses for the years ended March 31, 2012 and 2011 include net exchange losses of ¥145 million (\$1,768 thousand) and ¥635 million, respectively. Other income for the year ended March 31, 2010 includes net exchange gains of ¥552 million.

#### 17. Income Taxes

Total income taxes for the years ended March 31, 2012, 2011 and 2010 were allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31		Year ended March 31	
	2012	2011	2010	
Income from continuing operations.....	¥38,202	¥43,277	¥45,631	\$465,878
Income from discontinued operations.....	—	—	(317)	—
Shareholders' equity— accumulated other comprehensive income (loss):				
Unrealized holding gains (losses) on securities.....	1,236	(1,946)	5,401	15,072
Unrealized gains on derivative instruments.....	—	—	107	—
Pension liability adjustments.....	(763)	(654)	857	(9,304)
Foreign currency translation adjustments.....	—	—	1,020	—
Equity transactions with noncontrolling interest and other .....	—	(154)	—	—
	<b>¥38,675</b>	<b>¥40,523</b>	<b>¥52,699</b>	<b>\$471,646</b>

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, results in a statutory tax rate in Japan of approximately 40.5 percent for the years ended March 31, 2012, 2011 and 2010.

Due to the promulgation on December 2, 2011 of the Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures and the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake, the statutory tax rate used to calculate the deferred tax assets and liabilities for the year ended March 31, 2012 changed mainly from 40.5 percent to 37.8 percent for those scheduled for collection or payment during the period from April 1, 2012 to March 31, 2015, and to 35.4 percent for those scheduled for collection or payment on or after April 1, 2015. As a result, income taxes for the year ended March 31, 2012 increased by ¥2,464 million (\$30,049 thousand).

Reconciliations of the differences between income taxes computed at statutory tax rates and 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	
	2012	2011	2010	2012
Income taxes computed at statutory tax rate of 40.5%.....	¥32,853	¥43,677	¥38,344	\$400,646
Increase (decrease) resulting from:				
Unrecognized tax benefits from subsidiaries in loss positions .....	7,905	97	7,280	96,403
Reversal of valuation allowance due to utilization of operating loss carryforwards .....	(6,000)	(736)	(955)	(73,171)
Net effect of changes in the corporate tax rates....	2,464	—	—	30,049
Per capita tax .....	806	831	817	9,829
Other, net .....	174	(592)	145	2,122
Income taxes from continuing operations.....	<b>¥38,202</b>	<b>¥43,277</b>	<b>¥45,631</b>	<b>\$465,878</b>

The significant components of deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	In thousands of U.S. dollars		
	In millions of yen		March 31 2012
	March 31 2011	March 31 2012	
<b>Deferred tax assets:</b>			
Loss carryforwards .....	<b>¥11,137</b>	¥19,372	<b>\$135,817</b>
Deferred revenue .....	<b>10,015</b>	11,580	<b>122,134</b>
Property, plant and equipment .....	<b>7,454</b>	5,528	<b>90,902</b>
Accrued pension and severance costs .....	<b>7,357</b>	8,164	<b>89,720</b>
Adjustment of book value at the date of acquisition—			
Land and buildings .....	<b>7,033</b>	7,546	<b>85,768</b>
Other assets .....	<b>285</b>	361	<b>3,476</b>
Accrued bonus .....	<b>5,770</b>	5,704	<b>70,366</b>
Write-down on real estate inventories .....	<b>5,371</b>	1,823	<b>65,500</b>
Vacation accrual .....	<b>3,545</b>	3,806	<b>43,232</b>
Allowance for doubtful accounts .....	<b>2,825</b>	3,611	<b>34,451</b>
Investment securities .....	<b>1,941</b>	1,902	<b>23,671</b>
Intangible assets .....	<b>1,594</b>	1,969	<b>19,439</b>
Other .....	<b>7,241</b>	9,394	<b>88,305</b>
Gross deferred tax assets .....	<b>71,568</b>	80,760	<b>872,781</b>
Less: Valuation allowance .....	<b>(29,928)</b>	(33,699)	<b>(364,976)</b>
Total deferred tax assets .....	<b>41,640</b>	47,061	<b>507,805</b>
<b>Deferred tax liabilities:</b>			
Deferred installation costs .....	<b>(7,920)</b>	(9,494)	<b>(96,585)</b>
Adjustment of book value at the date of acquisition—			
Land and buildings .....	<b>(5,143)</b>	(5,544)	<b>(62,720)</b>
Other assets .....	<b>(1,357)</b>	(1,614)	<b>(16,549)</b>
Investments in affiliated companies .....	<b>(5,057)</b>	(5,111)	<b>(61,671)</b>
Prepaid pension and severance costs .....	<b>(2,710)</b>	(2,543)	<b>(33,049)</b>
Unrealized holding gains on securities .....	<b>(2,236)</b>	(1,042)	<b>(27,268)</b>
Unearned premiums and other insurance liabilities .....	—	(774)	—
Other .....	<b>(4,468)</b>	(5,362)	<b>(54,488)</b>
Gross deferred tax liabilities .....	<b>(28,891)</b>	(31,484)	<b>(352,330)</b>
Net deferred tax assets .....	<b>¥12,749</b>	¥15,577	<b>\$155,475</b>

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, 2012, 2011 and 2010 was a decrease of ¥3,771 million (\$45,988 thousand), an increase of ¥1,604 million and ¥5,232 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, 2012 and 2011.

Net deferred tax assets at March 31, 2012 and 2011 are reflected in the accompanying consolidated balance sheets under the following captions:

	In thousands of U.S. dollars		
	In millions of yen		March 31 2012
	March 31 2011	March 31 2012	
<b>Deferred income taxes</b>			
(Current assets) .....	<b>¥12,853</b>	¥15,438	<b>\$156,744</b>
Deferred income taxes (Other assets) .....	<b>10,185</b>	11,824	<b>124,207</b>
Other current liabilities .....	<b>(1,174)</b>	(1,858)	<b>(14,317)</b>
Deferred income taxes (Liabilities) .....	<b>(9,115)</b>	(9,827)	<b>(111,159)</b>
Net deferred tax assets .....	<b>¥12,749</b>	¥15,577	<b>\$155,475</b>

The Company has not recognized deferred tax liabilities of ¥704 million (\$8,585 thousand) for a portion of undistributed earnings of foreign subsidiaries totaling ¥16,212 million (\$197,707 thousand) at March 31, 2012 as they are not expected to be remitted in the foreseeable future.

At March 31, 2012, the operating loss carryforwards of domestic subsidiaries amounted to ¥27,859 million (\$339,744 thousand) and are available for offsetting against future taxable earnings of such subsidiaries for up to nine years, as follows:

Expires in the years ending March 31	In millions of yen	In thousands of U.S. dollars
2013 .....	¥ 1,339	\$ 16,329
2014 .....	3,504	42,732
2015 .....	2,938	35,829
2016 .....	—	—
2017 .....	—	—
2018 .....	9,151	111,598
2019 .....	7,135	87,012
2020 .....	2,244	27,366
2021 .....	1,548	18,878
	<b>¥27,859</b>	<b>\$339,744</b>

The operating loss carryforwards of overseas subsidiaries at March 31, 2012 amounted to ¥3,887 million (\$47,402 thousand), a part of which will begin to expire in the year ending March 31, 2013.

The total amount of unrecognized tax benefits for the years ended March 31, 2012, 2011 and 2010 were insignificant. Also there were no movements of the gross amounts in unrecognized tax benefits and the amounts of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2012, 2011 and 2010.

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, 2012, 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 2009. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities for years before 2011 with few exceptions.

## 18. Shareholders' Equity

### (1) Additional Paid-In Capital

The change in additional paid-in capital includes the effect of changes in the Company's ownership interest in its consolidated subsidiaries.

The net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests for the years ended March 31, 2012, 2011 and 2010 were as follows:

	In millions of yen			In thousands of U.S. dollars	
	Years ended		Year ended		
	March 31	2010			
	2012	2011	2010		
Net income attributable to SECOM CO., LTD. ....	¥41,237	¥62,665	¥46,989	\$502,890	
Transfers from (to)					
noncontrolling interests:					
Decrease in additional paid-in capital related to the acquisition of Secom Techno Service Co., Ltd.'s ownership interests .....	(476)	(5,692)	—	(5,805)	
Other, net.....	(166)	151	1,101	(2,024)	
Net transfers from (to) noncontrolling interests.....	(642)	(5,541)	1,101	(7,829)	
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests .....	¥40,595	¥57,124	¥48,090	\$495,061	

### (2) Retained Earnings

The Japanese Companies Act 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 Companies Act is based on the amount recorded in the parent company's nonconsolidated statutory financial statements in accordance with Japanese GAAP. Such amount was ¥408,267 million (\$4,978,866 thousand) at March 31, 2012.

Subsequent to March 31, 2012, the parent company's Board of Directors declared an annual cash dividend of ¥90.00 (\$1.10) per share, totaling ¥19,644 million (\$239,561 thousand), to shareholders of record on March 31, 2012. The dividend declared was approved at the general shareholders' meeting held on June 26, 2012. Dividends are recorded in the year they are declared.

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

### (3) Common Stock in Treasury

For the year ended March 31, 2012, common stock in treasury decreased by ¥1,264 million (\$15,415 thousand), primarily due to allotment with respect to the absorption-type merger of Secom Techno Service Co., Ltd.

The Company may repurchase its common stock from the market pursuant to the Japanese Companies Act.

### (4) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) for the years ended March 31, 2012, 2011 and 2010 are as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2012:</b>			
Unrealized holding gains on securities—			
Unrealized holding gains or losses arising during the period .....	¥3,230	(¥1,009)	¥2,221
Less: Reclassification adjustment for gains or losses included in net income.....	521	(227)	294
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	—	—	—
Less: Reclassification adjustment for gains or losses included in net income.....	6	—	6
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	(1,867)	489	(1,378)
Less: Reclassification adjustment for gains or losses realized in net income .....	(509)	274	(235)
Foreign currency translation adjustments.....			
Other comprehensive income (loss) .....	(¥2,051)	(¥ 473)	(¥2,524)
<b>For the year ended March 31, 2011:</b>			
Unrealized holding losses on securities—			
Unrealized holding gains or losses arising during the period .....	(¥ 4,760)	¥1,719	(¥ 3,041)
Less: Reclassification adjustment for gains or losses included in net income.....	(658)	227	(431)
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	3	—	3
Less: Reclassification adjustment for gains or losses included in net income.....	9	—	9
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	(1,052)	424	(628)
Less: Reclassification adjustment for gains or losses realized in net income .....	(574)	230	(344)
Foreign currency translation adjustments.....			
Other comprehensive income (loss) .....	(6,399)	—	(6,399)
Other comprehensive income (loss) .....	(¥13,431)	¥2,600	(¥10,831)

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2010:</b>			
Unrealized holding gains on securities—			
Unrealized holding gains or losses arising during the period .....	¥11,598	(¥4,382)	¥ 7,216
Less: Reclassification adjustment for gains or losses included in net income.....	3,003	(1,019)	1,984
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	(5)	—	(5)
Less: Reclassification adjustment for gains or losses included in net income.....	281	(107)	174
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	2,724	(1,140)	1,584
Less: Reclassification adjustment for gains or losses realized in net income.....	(700)	283	(417)
Foreign currency translation adjustments.....	2,016	(1,020)	996
Other comprehensive income (loss) .....	¥18,917	(¥7,385)	¥11,532
<b>In thousands of U.S. dollars</b>			
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2012:</b>			
Unrealized holding gains on securities—			
Unrealized holding gains or losses arising during the period .....	<b>\$39,390</b>	<b>(\$12,304)</b>	<b>\$27,086</b>
Less: Reclassification adjustment for gains or losses included in net income.....	<b>6,354</b>	<b>(2,768)</b>	<b>3,586</b>
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	—	—	—
Less: Reclassification adjustment for gains or losses included in net income.....	<b>73</b>	<b>—</b>	<b>73</b>
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	<b>(22,768)</b>	<b>5,963</b>	<b>(16,805)</b>
Less: Reclassification adjustment for gains or losses realized in net income.....	<b>(6,207)</b>	<b>3,341</b>	<b>(2,866)</b>
Foreign currency translation adjustments.....	<b>(41,854)</b>	<b>—</b>	<b>(41,854)</b>
Other comprehensive income (loss) .....	<b>(¥25,012)</b>	<b>(¥ 5,768)</b>	<b>(¥30,780)</b>

## 19. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2012, 2011 and 2010 were ¥6,083 million (\$74,183 thousand), ¥6,755 million and ¥5,952 million, respectively.

## 20. Lessee

The Company leases certain office space, employee residential facilities, computer and transportation equipment. Some leased buildings, computer and transportation equipment are held under capital leases. 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 term is 30 years beginning May 1, 1996. On July 15, 2010, the Company also entered into a long-term lease agreement for the building and land adjoining. The lease term is also 30 years beginning July 15, 2010. For financial reporting purposes, the portion of these lease arrangements relating to the building has been classified as a capital lease; accordingly, an asset of approximately ¥7,209 million (\$87,915 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, 2012 were ¥6,652 million (\$81,122 thousand).

A summary of leased assets under capital leases at March 31, 2012 and 2011 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2012	2011	
Buildings and improvements .....	¥ 8,235	¥ 8,209	<b>\$100,427</b>
Machinery, equipment and automobiles .....	10,349	14,072	<b>126,207</b>
Other intangible assets.....	127	306	<b>1,549</b>
Accumulated depreciation .....	(8,215)	(10,996)	<b>(100,183)</b>
	<b>¥10,496</b>	<b>¥11,591</b>	<b>\$128,000</b>

Depreciation expenses for assets under capital leases for the years ended March 31, 2012, 2011 and 2010 were ¥2,630 million (\$32,073 thousand), ¥3,368 million and ¥3,402 million, respectively.

The following is a schedule by year of future minimum lease payments under capital leases and the present value of the net minimum lease payments at March 31, 2012:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2013.....	¥ 2,664	\$ 32,488
2014.....	2,078	25,341
2015.....	1,674	20,415
2016.....	1,098	13,390
2017.....	793	9,671
Thereafter.....	8,755	106,768
Total minimum lease payments .....	17,062	208,073
Less: Amount representing interest .....	(5,388)	(65,707)
Present value of net minimum lease payments (Note 13).....	11,674	142,366
Less: Current portion .....	(2,253)	(27,476)
Long-term capital lease obligations.....	¥ 9,421	\$114,890

Rental expenses under operating leases for the years ended March 31, 2012, 2011 and 2010 were ¥16,419 million (\$200,232 thousand), ¥16,504 million and ¥14,290 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 term is 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 ¥1,299 million (\$15,841 thousand) over a 20-year period.

The future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at March 31, 2012 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2013.....	¥ 2,312	\$ 28,195
2014.....	2,259	27,549
2015.....	2,228	27,171
2016.....	2,207	26,915
2017.....	2,205	26,890
Thereafter.....	13,444	163,951
Total future minimum lease payments.....	¥24,655	\$300,671

## 21. Lessor

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

A summary of lease receivables under sales-type and direct-financing leases at March 31, 2012 and 2011 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31 2012	March 31 2011	
Total minimum lease payments to be received.....	¥34,950	¥34,327	\$426,220
Estimated executory cost.....	(2,982)	(2,980)	(36,366)
Estimated unguaranteed residual value.....	1,261	1,261	15,378
Unearned income .....	(6,911)	(7,013)	(84,281)
Lease receivables, net.....	26,318	25,595	320,951
Less: Current portion .....	(7,882)	(7,748)	(96,122)
Long-term lease receivables, net....	¥18,436	¥17,847	\$224,829

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, 2012:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2013.....	¥ 9,013	\$109,916
2014.....	7,110	86,707
2015.....	5,382	65,634
2016.....	3,656	44,585
2017.....	1,716	20,927
Thereafter.....	8,073	98,451
Total future minimum lease payments to be received .....	¥34,950	\$426,220

A summary of investment in property under operating leases and property held for lease at March 31, 2012 and 2011 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		
	2012	2011	2012
Land .....	¥36,950	¥29,820	\$450,610
Buildings and improvements .....	29,426	26,255	358,854
Other intangible assets.....	662	662	8,073
Accumulated depreciation .....	(9,190)	(8,519)	(112,074)
Total .....	¥57,848	¥48,218	\$705,463

The future minimum rentals under noncancelable operating leases at March 31, 2012 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2013.....	¥2,295	\$ 27,988
2014.....	597	7,280
2015.....	425	5,183
2016.....	297	3,622
2017.....	297	3,622
Thereafter.....	5,745	70,061
Total future minimum rentals .....	¥9,656	\$117,756

## 22. Fair Value of Financial Instruments

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

**(1) Cash and Cash Equivalents; Time Deposits; Cash Deposits; Notes and Accounts Receivable, Trade; Due from Subscribers; Short-Term Receivables; Bank Loans; Notes and Accounts Payable, Trade; Other Payables; Deposits Received; Accrued Income Taxes; 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 are estimated using current market pricing models by obtaining quotes from financial institutions.

The carrying amounts and estimated fair values of financial instruments, excluding debt and equity securities, which are disclosed in Notes 2 (7) and 7 at March 31, 2012 and 2011 are as follows:

In millions of yen				
March 31				
		2012	2011	
Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	
<b>Non-derivatives:</b>				
Liabilities—				
Long-term debt including current portion.....	<b>¥59,076</b>	<b>¥59,205</b>	¥64,938	¥65,078
Investment deposits by policyholders .....	<b>30,755</b>	<b>31,171</b>	41,643	41,671
<b>Derivatives:</b>				
Liabilities—				
Forward exchange contract (Other current liabilities)..	—	—	286	286
Interest rate swaps (Other liabilities).....	<b>160</b>	<b>160</b>	160	160

In thousands of U.S. dollars				
March 31, 2012				
		Carrying amount	Estimated fair value	
Carrying amount	Estimated fair value			
<b>Non-derivatives:</b>				
Liabilities—				
Long-term debt including current portion.....	<b>\$720,439</b>		<b>\$722,012</b>	
Investment deposits by policyholders .....	<b>375,061</b>		<b>380,134</b>	
<b>Derivatives:</b>				
Liabilities—				
Interest rate swaps (Other liabilities) .....	<b>1,951</b>	<b>1,951</b>		

#### Limitation:

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

#### 23. Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosures," defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. This accounting standard establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

- Level 1— Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2— Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3— Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable, which reflect the reporting entity's own assumptions about the assumptions that market participants would use in establishing a price.

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2012 and 2011.

In millions of yen				
March 31, 2012				
		Level 1	Level 2	Level 3
Assets:				Total
Cash equivalents.....	¥ 33	¥ 2,609	¥ —	¥ 2,642
Short-term investments and investment securities.....	<b>96,716</b>	<b>16,007</b>	<b>27,368</b>	<b>140,091</b>
<b>Total assets .....</b>	<b>¥96,749</b>	<b>¥18,616</b>	<b>¥27,368</b>	<b>¥142,733</b>
<b>Liabilities:</b>				
Derivatives (Other liabilities)....	¥ —	¥ 160	¥ —	¥ 160
<b>Total liabilities .....</b>	<b>¥ —</b>	<b>¥ 160</b>	<b>¥ —</b>	<b>¥ 160</b>

In millions of yen				
March 31, 2011				
		Level 1	Level 2	Level 3
Assets:				Total
Cash equivalents.....	¥ 35	¥ 2,609	¥ —	¥ 2,644
Short-term investments and investment securities.....	88,643	21,419	27,431	137,493
<b>Total assets .....</b>	<b>¥88,678</b>	<b>¥24,028</b>	<b>¥27,431</b>	<b>¥140,137</b>

In millions of yen				
March 31, 2011				
		Level 1	Level 2	Level 3
Assets:				Total
Cash equivalents.....	¥ —	¥ 286	¥ —	¥ 286
Derivatives (Other liabilities)....	—	160	—	160
<b>Total assets .....</b>	<b>¥ —</b>	<b>¥ 446</b>	<b>¥ —</b>	<b>¥ 446</b>
<b>Liabilities:</b>				
Derivatives (Other current liabilities).....	¥ —	¥ 160	¥ —	¥ 160

	In thousands of U.S. dollars			
	March 31, 2012			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents.....	\$ 403	\$ 31,817	\$ —	\$ 32,220
Short-term investments and investment securities.....	1,179,463	195,207	333,756	1,708,426
<b>Total assets .....</b>	<b>\$1,179,866</b>	<b>\$227,024</b>	<b>\$333,756</b>	<b>\$1,740,646</b>
<b>Liabilities:</b>				
Derivatives (Other liabilities)....	\$ —	\$ 1,951	\$ —	\$ 1,951
<b>Total liabilities .....</b>	<b>\$ —</b>	<b>\$ 1,951</b>	<b>\$ —</b>	<b>\$ 1,951</b>

### Cash Equivalents

All highly liquid investments with initial maturities of three months or less are considered to be cash equivalents, and principally valued using quoted prices for identical assets in markets that are not active.

### Short-Term Investments and Investment Securities

Equity securities and debt securities classified as Level 1 assets are valued using unadjusted quoted market price in active markets with sufficient volume and frequency of transactions.

Level 2 assets are comprised principally of debt securities, which are valued using quoted prices for similar assets in active markets, or quoted price for identical or similar assets in markets that are not active.

Non-marketable securities classified as Level 3 assets are valued based on unobservable inputs as the market for the assets was not active at the measurement date.

### Derivative Financial Investments

Derivative financial instruments are comprised of forward exchange contracts and interest rate swaps. These derivative instruments are valued using observable market data and classified as Level 2 liabilities.

The following table represents the changes in Level 3 assets measured on a recurring basis for the years ended March 31, 2012 and 2011.

	In millions of yen		In thousands of U.S. dollars
	Years ended		Year ended March 31
	March 31	2012	
Balance at beginning of year.....	¥27,431	¥29,155	\$334,524
Total gains or losses (realized or unrealized):			
Included in earnings.....	3,998	5,242	48,756
Included in other comprehensive income.....	19	975	232
Purchases.....	4,055	1,941	49,451
Sales.....	(6,662)	(5,385)	(81,244)
Redemptions.....	(235)	(1,311)	(2,866)
Foreign currency translation adjustments.....	(1,238)	(3,186)	(15,097)
Balance at end of year .....	¥27,368	¥27,431	\$333,756
Changes in unrealized gains or losses relating to instruments still held at end of year:			
Included in earnings.....	¥ 1,736	¥ 5,806	\$ 21,171

Total gains or losses (realized or unrealized) related to short-term investments and investment securities are primarily included in net sales and operating revenue or gain/loss on private equity investments, in the consolidated statements of income.

### Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Non-marketable equity securities with a carrying amount of ¥9,801 million (\$119,525 thousand) were written down to their fair value of ¥9,756 million (\$118,976 thousand), resulting in an other-than-temporary impairment charge of ¥45 million (\$549 thousand), which was included in earnings for the year ended March 31, 2012. For the year ended March 31, 2011, non-marketable equity securities with a carrying amount of ¥10,687 million were written down to their fair value of ¥10,407 million, resulting in an other-than-temporary impairment charge of ¥280 million, which was included in earnings. All impaired non-marketable equity securities were classified as Level 3 assets as the Company uses unobservable inputs to value these investments.

Long-lived assets (Note 11) and goodwill (Note 12) are also measured at fair value on a nonrecurring basis. All impaired long-lived assets and goodwill were classified as Level 3 assets as the Company uses unobservable inputs to value these assets.

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

### (2) Risk Management

The Company has exposure to the market risk of changes in interest rates which 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. All of the interest rate swap agreements have matured by March 31, 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, 2012, 2011 and 2010 as the critical terms of most of the interest rate swap agreements match the terms of the hedged debt obligations. At March 31, 2012 and 2011, the notional principal amount of interest rate swap agreements designated as cash flow hedges was nil and ¥1,000 million, respectively.

#### (4) Derivative Instruments Not Designated as Hedges

The Company enters into forward exchange contracts to reduce exposure to fluctuations in currency rates relating to time deposits, and interest rate swap agreements to reduce exposure to fluctuations in interest rates relating primarily to debt obligations. Changes in fair value of the above noted derivative financial instruments, which are not designated as hedges, are reported in current income.

Fair values of derivative instruments reflected in the consolidated balance sheet as of March 31, 2012 and 2011 are as follows:

#### Derivatives designated as hedging instruments

Liabilities:

Location	In millions of yen			In thousands of U.S. dollars	
	March 31		2012		
	2012	2011			
Interest rate swaps	Other liabilities	¥—	¥8	\$—	

#### Derivatives not designated as hedging instruments

Liabilities:

Location	In millions of yen			In thousands of U.S. dollars	
	March 31		2012		
	2012	2011			
Forward exchange contract	Other current liabilities	¥—	¥286	\$—	
Interest rate swaps	Other liabilities	¥160	¥152	\$1,951	

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2012, 2011 and 2010 are as follows:

#### Derivatives designated as cash flow hedging instruments

Gains (losses) recognized in other comprehensive income (effective portion)

Location	In millions of yen			In thousands of U.S. dollars	
	Years ended March 31		2012		
	2012	2011			
Interest rate swaps	¥—	¥4	(¥6)	\$—	

Gains (losses) reclassified from accumulated other comprehensive income into income (effective portion)

Location	In millions of yen			In thousands of U.S. dollars	
	Years ended March 31		2012		
	2012	2011			
Interest rate swaps	Other expenses	(¥8)	(¥12)	(¥358)	

#### Derivatives not designated as hedging instruments

Location	In millions of yen			In thousands of U.S. dollars	
	Years ended March 31		2012		
	2012	2011			
Forward exchange contract	Other expenses	¥—	(¥286)	\$—	
Interest rate swaps	Other expenses	¥ 9	(¥ 31)	(¥81)	

#### 25. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2012 for the purchase of property, plant and equipment of approximately ¥6,227 million (\$75,939 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 ¥1,686 million (\$20,561 thousand) at March 31, 2012. The carrying amounts of the liabilities recognized for the Company's obligations under these guarantees at March 31, 2012 and 2011 were deemed insignificant.

Loss related to spectrum reallocation is for disposal and replacement of equipment, since the allotted spectrum currently used in COCO-SECOM will no longer be available after July 2012 as a result of spectrum reallocation by the government.

Pasco Corporation, a subsidiary of the parent company, filed a lawsuit against Sumitomo Mitsui Banking Corporation asking for a confirmatory judgment to the effect that it does not owe an obligation in the amount of ¥2,010 million to Sumitomo Mitsui Banking Corporation with the Tokyo District Court on October 31, 2005. Sumitomo Mitsui Banking Corporation alleged that it made a loan to a third party and acquired from the third party its claim against Pasco Corporation for an alleged sale of equipment to Pasco Corporation, as collateral for the loan, and demanded Pasco Corporation to pay such claim to Sumitomo Mitsui Banking Corporation. On December 5, 2005, Sumitomo Mitsui Banking Corporation brought a cross action against Pasco Corporation in relation to a demand for payment of a transferred receivable. Subsequently, both actions were consolidated according to a court procedure. The oral argument was concluded on October 31, 2008, and on March 27, 2009 Tokyo District Court rendered the following judgement:

1. Pasco Corporation must pay money to Sumitomo Mitsui Banking Corporation in an amount of ¥2,010 million as well as interest at the rate of 6 percent per annum on ¥600 million, from November 1, 2005, and on ¥1,410 million, from December 1, 2005, up to the full payment of the respective amounts;
2. Pasco Corporation incurs the cost of lawsuits including the cost caused by supplementary participation; and
3. The judgement can be provisionally executed.

Pasco Corporation appealed the case to the Tokyo High Court on April 6, 2009.

Following the decision, Pasco Corporation provided a reserve for litigation loss of ¥2,415 million for the year ended March 31, 2009.

On May 10, 2010, Pasco Corporation and Sumitomo Mitsui Banking Corporation reached a settlement under which Pasco Corporation will pay to Sumitomo Mitsui Banking Corporation an amount of ¥1,750 million, after several oral proceedings and settlement negotiations at the Tokyo High Court.

Pursuant to the settlement, Pasco Corporation accounted for ¥781 million as a reversal of reserve for litigation loss in the year ended March 31, 2010, and provided for ¥1,770 million, a sum of the above settlement amount and related litigation expenses, in the consolidated balance sheet as of March 31, 2010. These amounts were paid in the year ended March 31, 2011.

In the year ended March 31, 2012, Pasco Corporation recognized and paid ¥799 million (\$9,744 thousand) for legal settlement related to software.

Other than those above, it is not anticipated that damages, if any, resulting from other legal actions will have a material impact on the Company's consolidated financial statements.

## 26. Discontinued Operations

The Company accounted for the sale of certain businesses in accordance with ASC 205-20, "Discontinued Operations." The Company sold all of the shares of Japan Image Communications Co., Ltd., and Asia Pacific Business Link Ltd., included in the information and communication related and other services segment, in August and December 2009, respectively. The Company reported the operating results related to these operations as discontinued operations.

Discontinued operations for the year ended March 31, 2010 were as follows:

	In millions of yen
Net sales and operating revenue .....	¥2,135
Income from discontinued operations before income taxes.....	260
Gain on sales of discontinued operations .....	777
Income taxes.....	317
Income from discontinued operations, net of tax .....	¥1,354
Attributable to noncontrolling interests .....	(¥ 23)
Attributable to SECOM CO., LTD. ....	¥1,331

Income from discontinued operations, net of tax, by business segment for the year ended March 31, 2010 were as follows:

	In millions of yen
Security services .....	¥ 110
Medical services .....	1
Information and communication related and other services .....	1,243
Income from discontinued operations, net of tax .....	¥1,354

## 27. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended			Year ended
	March 31	2012	2011	
<b>Cash paid during the year for:</b>				
Interest.....	¥ 1,601	¥ 1,689	¥ 1,830	<b>\$ 19,524</b>
Income taxes.....	<b>38,538</b>	39,719	36,719	<b>469,976</b>
<b>Non-cash investing and financing activities:</b>				
Additions to obligations under capital leases.....	<b>2,604</b>	4,240	3,963	<b>31,756</b>
Acquisitions (Note 4)—				
Fair value of assets acquired .....	—	—	15,160	—
Fair value of liabilities assumed .....	—	—	10,427	—
Total considerations .....	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 4,733</b>	<b>\$ —</b>

## 28. Segment Information

The Company discloses 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 seven reportable business segments: security services, fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services.

The security services segment provides various types of security services by utilizing the Company's unique security systems and manufacturing and selling security merchandise. 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. In addition, the VIEs of 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 real estate development and sales segment represents development and sales of condominiums that reinforce security. The information and communication related and other services segment represents the Company's network business, 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 and improvements, machinery and equipment.

Information by business and geographic segments for the years ended March 31, 2012, 2011 and 2010 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
	2012	2011	2010	2012
<b>Net sales and operating revenue:</b>				
Security services—				
Customers .....	<b>¥434,667</b>	¥424,706	¥424,385	<b>\$5,300,817</b>
Intersegment.....	<b>1,791</b>	2,095	1,975	<b>21,841</b>
	<b>436,458</b>	426,801	426,360	<b>5,322,658</b>
Fire protection services—				
Customers .....	<b>80,678</b>	75,176	80,132	<b>983,877</b>
Intersegment.....	<b>4,093</b>	4,887	4,297	<b>49,915</b>
	<b>84,771</b>	80,063	84,429	<b>1,033,792</b>
Medical services—				
Customers .....	<b>134,550</b>	125,020	56,309	<b>1,640,854</b>
Intersegment.....	<b>148</b>	151	123	<b>1,805</b>
	<b>134,698</b>	125,171	56,432	<b>1,642,659</b>
Insurance services—				
Customers .....	<b>33,558</b>	33,133	29,142	<b>409,244</b>
Intersegment.....	<b>2,750</b>	2,635	2,982	<b>33,536</b>
	<b>36,308</b>	35,768	32,124	<b>442,780</b>
Geographic information services—				
Customers .....	<b>50,173</b>	43,539	41,918	<b>611,866</b>
Intersegment.....	<b>216</b>	167	140	<b>2,634</b>
	<b>50,389</b>	43,706	42,058	<b>614,500</b>
Real estate development and sales—				
Customers .....	<b>11,724</b>	24,817	13,268	<b>142,976</b>
Intersegment.....	<b>526</b>	95	188	<b>6,415</b>
	<b>12,250</b>	24,912	13,456	<b>149,391</b>
Information and communication related and other services—				
Customers .....	<b>27,132</b>	25,477	25,490	<b>330,878</b>
Intersegment.....	<b>6,800</b>	6,541	8,044	<b>82,927</b>
	<b>33,932</b>	32,018	33,534	<b>413,805</b>
Total.....	<b>788,806</b>	768,439	688,393	<b>9,619,585</b>
Eliminations .....	<b>(16,324)</b>	(16,571)	(17,749)	<b>(199,073)</b>
Total net sales and operating revenue.....	<b>¥772,482</b>	¥751,868	¥670,644	<b>\$9,420,512</b>

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2012	2011	2010	2012
<b>Operating income (loss):</b>				
Security services .....	<b>¥101,416</b>	¥ 99,855	¥101,623	<b>\$1,236,780</b>
Fire protection services .....	<b>4,443</b>	3,158	4,193	<b>54,183</b>
Medical services .....	<b>7,884</b>	1,771	2,254	<b>96,146</b>
Insurance services.....	<b>(80)</b>	(180)	(1,503)	<b>(975)</b>
Geographic information services .....	<b>3,449</b>	3,393	2,177	<b>42,061</b>
Real estate development and sales.....	<b>(21,598)</b>	525	(3,702)	<b>(263,390)</b>
Information and communication related and other services .....	<b>(4,037)</b>	3,239	3,850	<b>(49,232)</b>
Total.....	<b>91,477</b>	111,761	108,892	<b>1,115,573</b>
Corporate expenses and eliminations.....	<b>(12,651)</b>	(11,329)	(11,714)	<b>(154,280)</b>
Operating income .....	<b>¥ 78,826</b>	¥100,432	¥ 97,178	<b>\$ 961,293</b>
Other income.....	<b>7,527</b>	11,870	5,352	<b>91,793</b>
Other expenses.....	<b>(5,233)</b>	(4,458)	(7,854)	<b>(63,818)</b>
Income from continuing operations before income taxes and equity in net income of affiliated companies .....	<b>¥ 81,120</b>	¥107,844	¥ 94,676	<b>\$ 989,268</b>
	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2012	2011	2010	2012
<b>Assets:</b>				
Security services .....	<b>¥ 418,333</b>	¥ 400,428	¥ 398,333	<b>\$ 5,101,622</b>
Fire protection services .....	<b>85,786</b>	80,346	79,761	<b>1,046,171</b>
Medical services .....	<b>167,644</b>	161,877	131,061	<b>2,044,439</b>
Insurance services.....	<b>167,436</b>	177,571	190,329	<b>2,041,902</b>
Geographic information services ....	<b>65,968</b>	58,697	58,092	<b>804,488</b>
Real estate development and sales.....	<b>42,927</b>	60,431	77,948	<b>523,500</b>
Information and communication related and other services .....	<b>94,851</b>	88,881	89,911	<b>1,156,720</b>
Total.....	<b>1,042,945</b>	1,028,231	1,025,435	<b>12,718,842</b>
Corporate items .....	<b>97,140</b>	103,943	70,099	<b>1,184,634</b>
Investments in affiliated companies....	<b>39,739</b>	38,978	42,613	<b>484,622</b>
Total assets.....	<b>¥1,179,824</b>	¥1,171,152	¥1,138,147	<b>\$14,388,098</b>

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31		Year ended March 31	
	2012	2011	2010	2012
Depreciation and amortization:				
Security services .....	<b>¥43,806</b>	¥44,604	¥45,694	<b>\$534,220</b>
Fire protection services .....	<b>1,836</b>	1,490	1,428	<b>22,390</b>
Medical services .....	<b>6,167</b>	5,137	2,253	<b>75,207</b>
Insurance services.....	<b>1,601</b>	1,200	1,017	<b>19,524</b>
Geographic information services ....	<b>1,812</b>	1,666	1,857	<b>22,098</b>
Real estate development and sales.....	<b>42</b>	48	46	<b>512</b>
Information and communication related and other services .....	<b>2,580</b>	2,587	2,577	<b>31,464</b>
Total.....	<b>57,844</b>	56,732	54,872	<b>705,415</b>
Corporate items.....	<b>273</b>	219	258	<b>3,329</b>
Total depreciation and amortization.....	<b>¥58,117</b>	¥56,951	¥55,130	<b>\$708,744</b>
Capital expenditures:				
Security services .....	<b>¥33,853</b>	¥27,643	¥27,154	<b>\$412,841</b>
Fire protection services .....	<b>670</b>	3,602	1,804	<b>8,171</b>
Medical services .....	<b>5,573</b>	5,563	4,069	<b>67,963</b>
Insurance services.....	<b>26</b>	14	275	<b>317</b>
Geographic information services ....	<b>2,162</b>	2,166	883	<b>26,366</b>
Real estate development and sales.....	<b>17</b>	19	2	<b>207</b>
Information and communication related and other services .....	<b>12,586</b>	3,157	4,477	<b>153,488</b>
Total.....	<b>54,887</b>	42,164	38,664	<b>669,353</b>
Corporate items.....	<b>107</b>	34	55	<b>1,305</b>
Total capital expenditures .....	<b>¥54,994</b>	¥42,198	¥38,719	<b>\$670,658</b>

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	
	2012	2011	2010	2012
Electronic security services .....	<b>¥304,408</b>	¥302,529	¥303,459	<b>\$3,712,293</b>
Other security services:				
Static guard services .....	<b>46,689</b>	46,372	46,213	<b>569,378</b>
Armored car services .....	<b>20,609</b>	20,129	19,823	<b>251,329</b>
Merchandise and other .....	<b>62,961</b>	55,676	54,890	<b>767,817</b>
Total security services.....	<b>¥434,667</b>	¥424,706	¥424,385	<b>\$5,300,817</b>

## (2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on location of customers and long-lived assets for the years ended March 31, 2012, 2011 and 2010 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31		Year ended March 31	
	2012	2011	2010	2012
Net sales and operating revenue:				
Japan .....	<b>¥743,727</b>	¥726,381	¥649,523	<b>\$9,069,841</b>
Other .....	<b>28,755</b>	25,487	21,121	<b>350,671</b>
Total.....	<b>¥772,482</b>	¥751,868	¥670,644	<b>\$9,420,512</b>
Long-lived assets:				
Japan .....	<b>¥399,901</b>	¥395,884	¥352,028	<b>\$4,876,841</b>
Other .....	<b>5,857</b>	5,161	3,834	<b>71,427</b>
Total.....	<b>¥405,758</b>	¥401,045	¥355,862	<b>\$4,948,268</b>

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

## 29. Subsequent Events

On January 10, 2012, the parent company entered into a share transfer agreement with JS Group Corporation and LIXIL Corporation, its consolidated subsidiary, to acquire 100% of common shares outstanding (14,328,000 shares) of LIXIL NITTAN Co., Ltd., held by LIXIL Corporation, on April 1, 2012. The parent company purchased all of the shares for ¥12,700 million (\$154,878 thousand), financed with available cash. LIXIL NITTAN Co., Ltd. changed its name to Nittan Co., Ltd. ("Nittan") on April 1, 2012.

The Company, primarily through its consolidated subsidiary Nohmi Bosai Ltd., provides automatic fire alarm systems, fire extinguishing systems and other fire protection systems. Nittan mainly provides installation, sales, maintenance and checks of various fire alarms and extinguishers. As a result of this acquisition, the Company expects to enhance its fire protection services by utilizing marketing channels and the ability to develop new products, which both companies have developed. The acquisition also will enable the Company to pursue research and development of future disaster prevention systems to meet the change in awareness of disaster prevention resulting from the Great East Japan Earthquake and large typhoon. Moreover, the acquisition supports the Company's strategic plan to accelerate the expansion of the Company's global businesses.

Estimated fair values of certain assets acquired and liabilities assumed at the date of acquisition have not been finalized. Goodwill that may arise will be included in the fire protection services segment and will not be deductible for tax purposes.

The Company has evaluated subsequent events through July 30, 2012, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheets of SECOM CO., LTD. and subsidiaries (the "Company") as of March 31, 2012 and 2011, and the related consolidated statements of income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2012, 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, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2012, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Accounting Standards Update No. 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, in the year ended March 31, 2011.

The accompanying consolidated financial statements as of and for the year ended March 31, 2012 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 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan  
July 30, 2012

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# SUMMARY OF SELECTED FINANCIAL DATA

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

							In millions of yen
	2012	2011	2010	2009	2008	2007	
<b>Composition of consolidated net sales and operating revenue by segment</b>							
Net sales and operating revenue .....	<b>¥772,482</b>	¥751,868	¥670,644	¥684,016	¥701,836	¥631,945	
Security services: .....	<b>434,667</b>	424,706	424,385	436,918	435,306	415,410	
As a percentage of net sales and operating revenue .....	<b>56.3%</b>	56.5%	63.3%	63.9%	62.0%	65.7%	
Electronic security services—	<b>304,408</b>	302,529	303,459	308,279	301,521	291,393	
As a percentage of net sales and operating revenue .....	<b>39.4</b>	40.2	45.2	45.1	43.0	46.1	
Other security services—	<b>46,689</b>	46,372	46,213	47,999	46,648	42,144	
Static guard services .....	<b>6.0</b>	6.2	6.9	7.0	6.6	6.7	
Armored car services.....	<b>20,609</b>	20,129	19,823	20,310	19,547	20,308	
As a percentage of net sales and operating revenue .....	<b>2.7</b>	2.7	3.0	3.0	2.8	3.2	
Subtotal .....	<b>67,298</b>	66,501	66,036	68,309	66,195	62,452	
Merchandise and other .....	<b>62,961</b>	55,676	54,890	60,330	67,590	61,565	
As a percentage of net sales and operating revenue .....	<b>8.2</b>	7.4	8.2	8.8	9.6	9.7	
Fire protection services .....	<b>80,678</b>	75,176	80,132	84,175	82,572	27,448	
As a percentage of net sales and operating revenue .....	<b>10.4</b>	10.0	11.9	12.3	11.8	4.3	
Medical services .....	<b>134,550</b>	125,020	56,309	52,220	50,741	45,852	
As a percentage of net sales and operating revenue .....	<b>17.4</b>	16.6	8.4	7.6	7.2	7.3	
Insurance services.....	<b>33,558</b>	33,133	29,142	21,530	33,229	31,978	
As a percentage of net sales and operating revenue .....	<b>4.4</b>	4.4	4.3	3.2	4.7	5.1	
Geographic information services .....	<b>50,173</b>	43,539	41,918	40,207	39,376	36,438	
As a percentage of net sales and operating revenue .....	<b>6.5</b>	5.8	6.3	5.9	5.6	5.8	
Real estate development and sales .....	<b>11,724</b>	24,817	13,268	22,072	29,928	45,431	
As a percentage of net sales and operating revenue .....	<b>1.5</b>	3.3	2.0	3.2	4.3	7.2	
Information and communication related and other services .....	<b>27,132</b>	25,477	25,490	26,894	30,684	29,388	
As a percentage of net sales and operating revenue .....	<b>3.5</b>	3.4	3.8	3.9	4.4	4.6	
<b>Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity</b>							
Net income attributable to SECOM CO., LTD. ....	<b>¥ 41,237</b>	¥ 62,665	¥ 46,989	¥ 30,560	¥ 61,756	¥ 55,889	
Cash dividends (paid) <sup>(2)</sup> .....	<b>19,623</b>	18,533	18,533	19,122	17,998	13,499	
SECOM CO., LTD. shareholders' equity .....	<b>612,855</b>	593,495	569,799	528,721	574,554	551,732	
<b>Consolidated financial ratios</b>							
Percentage of working capital accounted for by:							
Debt							
Bank loans .....	<b>5.7</b>	6.8	6.5	11.9	17.5	17.4	
Current portion of long-term debt.....	<b>3.1</b>	1.7	1.6	2.4	1.2	1.4	
Straight bonds.....	<b>1.4</b>	2.0	2.6	1.9	1.8	1.9	
Other long-term debt.....	<b>3.8</b>	5.5	3.6	3.6	4.0	3.6	
Total debt .....	<b>14.0</b>	16.0	14.3	19.8	24.5	24.3	
SECOM CO., LTD. shareholders' equity .....	<b>86.0</b>	84.0	85.7	80.2	75.5	75.7	
Total capitalization.....	<b>100.0</b>	100.0	100.0	100.0	100.0	100.0	
Return on total assets (percentage) <sup>(a)</sup> .....	<b>3.5</b>	5.4	4.1	2.7	4.9	4.5	
Return on equity (percentage) <sup>(b)</sup> .....	<b>6.7</b>	10.6	8.2	5.8	10.7	10.1	
Percentage of net sales and operating revenue absorbed by <sup>(c)</sup> :							
Depreciation and amortization .....	<b>7.5</b>	7.6	8.2	7.9	8.2	9.1	
Rental expense under operating leases.....	<b>2.1</b>	2.2	2.1	2.2	2.3	2.5	
Ratio of accumulated depreciation to depreciable assets (percentage) .....	<b>63.4</b>	62.5	64.9	64.4	63.8	62.3	
Net property turnover (times) <sup>(c)(d)</sup> .....	<b>2.49</b>	2.49	2.55	2.66	2.81	2.54	
Before-tax interest coverage (times) <sup>(c)(d)</sup> .....	<b>51.8</b>	65.1	53.5	32.4	53.7	53.5	

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

	2012	2011	2010	2009	2008	2007
<b>Number of shares outstanding</b>						
Issued	<b>233,288,717</b>	233,288,717	233,288,717	233,288,717	233,288,717	233,288,717
Owned by the Company	<b>15,017,691</b>	15,258,553	15,254,334	15,251,520	8,323,599	8,318,900
Balance	<b>218,271,026</b>	218,030,164	218,034,383	218,037,197	224,965,118	224,969,817
<b>Per share information</b>						
Net income attributable to SECOM CO., LTD.						
per share (in yen) <sup>(1)</sup>	<b>¥ 188.97</b>	¥ 287.41	¥ 215.51	¥ 137.42	¥ 274.51	¥ 248.42
Cash dividends paid per share (in yen) <sup>(2)</sup>	<b>90.00</b>	85.00	85.00	85.00	80.00	60.00
SECOM CO., LTD. shareholders' equity						
per share (in yen) <sup>(3)</sup>	<b>2,807.77</b>	2,722.08	2,613.34	2,424.91	2,553.97	2,452.47
Cash flow per share (in yen) <sup>(1)(e)</sup>	<b>365.28</b>	458.62	383.36	299.72	448.19	427.34
Price/Book value ratio	<b>1.44</b>	1.42	1.57	1.50	1.90	2.23
Price/Earnings ratio	<b>21.43</b>	13.45	18.98	26.41	17.63	22.02
Price/Cash flow ratio	<b>11.09</b>	8.43	10.67	12.11	10.80	12.80
Stock price at year-end (in yen)	<b>4,050</b>	3,865	4,090	3,630	4,840	5,470

Notes: (a) Net income attributable to SECOM CO., LTD. / Total assets

(b) Net income attributable to SECOM CO., LTD. / SECOM CO., LTD. shareholders' equity

(c) Including discontinued operations

(d) (Income before income taxes and equity in net income of affiliated companies + Interest expense)/Interest expense

(e) (Net income attributable to SECOM CO., LTD. + 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, 2012, cash dividends of ¥19,644 million (¥90.00 per share) were approved at the general shareholders' meeting on June 26, 2012 (see Note 18 of the accompanying notes to consolidated financial statements).

(3) Per share amounts are based on the number of shares outstanding at the end of each period, minus treasury stock.

## COMMON STOCK DATA

SECOM CO., LTD.  
As of March 31

<b>SHAREHOLDER INFORMATION</b>	<b>2012</b>	2011	2010	2009	2008	2007
Number of shareholders.....	<b>29,118</b>	30,338	31,488	30,859	28,512	30,683
Common shares held by:						
Japanese government and local public entities.....	—%	0.08%	0.08%	0.00%	—%	—%
Financial institutions.....	<b>29.88</b>	30.76	31.34	35.67	33.84	32.21
Securities firms.....	<b>6.08</b>	4.75	4.28	2.55	3.86	3.68
Other domestic corporations.....	<b>3.68</b>	3.71	3.73	3.76	3.81	3.86
Foreign investors.....	<b>41.25</b>	41.27	40.77	38.17	41.71	42.43
Individuals and others.....	<b>12.67</b>	12.89	13.26	13.31	13.21	14.26
Treasury stock.....	<b>6.44</b>	6.54	6.54	6.54	3.57	3.56
Total .....	<b>100.00%</b>	100.00%	100.00%	100.00%	100.00%	100.00%

### PRICE INFORMATION (TOKYO STOCK EXCHANGE)

		Price per share (in yen)		Nikkei Stock Average (in yen)	
		High	Low	High	Low
2010	April–June.....	¥4,165	¥3,785	¥11,339.30	¥9,382.64
	July–September.....	4,225	3,635	9,795.24	8,824.06
	October–December.....	3,920	3,620	10,370.53	9,154.72
2011	January–March .....	4,230	3,425	10,857.53	8,605.15
	April–June.....	4,145	3,660	10,004.20	9,351.40
	July–September.....	3,975	3,435	10,137.73	8,374.13
	October–December.....	3,830	3,390	9,050.47	8,160.01
2012	January–March .....	4,190	3,390	10,255.15	8,378.36

**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, 2012, the number of shares outstanding was 233,289 thousand and share capital was ¥66,377,829 thousand.

\*One share was split into two.

# **CONSOLIDATED FINANCIAL DATA (BASED ON JAPANESE GAAP) [REFERENCE]**

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## CONDENSED CONSOLIDATED BALANCE SHEETS (BASED ON JAPANESE GAAP)

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

In millions of yen

<b>ASSETS</b>	2012	2011	2010	2009	2008	2007
<b>Current assets:</b>						
Cash on hand and in banks.....	¥ 182,412	¥ 172,958	¥ 146,929	¥ 127,476	¥ 200,403	¥ 181,266
Cash deposits for armored car services.....	54,011	56,546	48,861	56,667	63,696	75,328
Call loans.....	28,000	29,500	36,500	36,500	19,000	15,000
Notes and accounts receivable, trade.....	85,744	73,956	73,844	77,398	85,595	83,397
Due from subscribers.....	24,830	22,754	20,824	20,139	21,125	19,217
Short-term investments.....	19,936	7,313	15,989	16,786	9,306	18,171
Lease receivables and investment in leased assets.....	14,605	15,433	14,742	14,993	—	—
Inventories.....	—	—	—	—	27,080	25,945
Merchandises and products.....	9,597	8,823	10,987	10,730	—	—
Real estate inventories.....	9,082	11,481	18,493	6,177	90,230	71,724
Work in process.....	2,527	2,249	1,427	2,174	—	—
Costs on uncompleted construction contracts.....	5,671	4,233	5,312	9,534	—	—
Work in process for real estate inventories.....	33,276	48,296	55,916	60,950	—	—
Raw materials and supplies.....	5,950	5,750	5,932	5,840	—	—
Deferred income taxes.....	11,383	12,216	11,684	11,135	11,840	11,597
Short-term loans receivable.....	4,389	3,908	3,088	4,125	7,246	5,097
Other.....	13,489	12,566	15,275	15,578	13,827	19,660
Allowance for doubtful accounts.....	(1,428)	(1,704)	(2,207)	(2,762)	(1,813)	(1,923)
Total current assets.....	<b>503,479</b>	486,284	483,600	473,445	547,538	524,484

### Fixed assets:

Tangible assets:						
Buildings and improvements.....	97,955	102,855	97,692	85,415	84,545	87,306
Security equipment and control stations.....	66,900	63,490	63,034	65,631	65,450	63,675
Land.....	104,426	97,730	93,424	89,297	81,716	80,341
Other.....	21,464	18,638	18,869	22,923	33,636	29,485
Intangible assets.....	<b>25,043</b>	25,553	21,885	21,331	22,332	23,294
Investments and others:						
Investment securities.....	177,655	188,001	187,777	201,923	241,957	243,148
Long-term loans receivable.....	46,197	47,576	50,488	59,880	54,599	55,223
Prepaid pension and severance costs.....	19,130	18,730	18,618	18,876	17,834	15,817
Deferred income taxes.....	14,793	20,110	19,848	24,413	22,740	15,654
Other.....	42,376	43,422	44,630	46,129	47,579	45,692
Allowance for doubtful accounts.....	(17,584)	(18,111)	(18,403)	(19,122)	(17,455)	(15,161)
Total fixed assets.....	<b>598,359</b>	607,998	597,864	616,698	654,936	644,478
<b>Deferred assets .....</b>	<b>45</b>	117	213	338	365	219
Total assets .....	<b>¥1,101,884</b>	¥1,094,400	¥1,081,679	¥1,090,483	¥1,202,840	¥1,169,182

In millions of yen

LIABILITIES	2012	2011	2010	2009	2008	2007
<b>Current liabilities:</b>						
Notes and accounts payable, trade .....	¥ 30,731	¥ 25,959	¥ 24,774	¥ 28,374	¥ 30,459	¥ 28,469
Bank loans .....	47,985	47,426	48,094	85,383	136,034	129,169
Current portion of straight bonds.....	5,983	2,914	1,761	5,036	1,936	3,356
Lease obligations.....	354	354	247	202	—	—
Payables—other .....	27,627	22,857	23,359	23,195	28,988	29,888
Accrued income taxes .....	14,688	19,353	20,907	18,983	24,610	24,973
Accrued consumption taxes.....	3,833	2,850	3,302	2,932	3,456	3,366
Accrued expenses.....	4,169	3,792	3,633	3,534	3,641	3,198
Deferred revenue .....	30,834	30,582	33,554	31,298	32,061	31,188
Accrued bonuses.....	12,739	11,925	12,139	12,741	12,210	11,409
Reserve for litigation losses.....	—	—	1,770	2,415	—	—
Accrued bonuses to directors and corporate auditors .....	—	—	—	—	—	80
Reserve for losses on construction contracts .....	834	530	145	—	—	—
Other .....	35,997	33,527	36,660	42,558	46,337	58,665
Total current liabilities .....	215,780	202,074	210,353	256,655	319,737	323,766
<b>Long-term liabilities:</b>						
Straight bonds.....	9,625	14,091	17,006	12,673	13,524	13,941
Long-term loans .....	10,700	21,586	16,085	15,338	20,024	14,363
Lease obligations.....	2,884	3,080	501	571	—	—
Guarantee deposits received.....	38,235	38,091	36,777	34,210	32,532	32,164
Deferred income taxes.....	8,415	8,909	8,399	3,740	5,042	2,717
Accrued pension and severance costs .....	12,585	13,097	13,264	13,807	16,096	17,596
Accrued retirement benefits for directors and corporate auditors .....	2,509	2,433	2,398	2,244	2,220	2,300
Investment deposits by policyholders, unearned premiums and other insurance liabilities .....	127,812	135,498	150,180	167,011	162,329	160,142
Other .....	1,817	1,481	1,557	1,621	1,057	1,073
Total long-term liabilities.....	214,586	238,270	246,171	251,218	252,828	244,299
Total liabilities .....	430,366	440,344	456,525	507,874	572,565	568,065
<b>NET ASSETS</b>						
<b>Shareholders' equity:</b>						
Common stock.....	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus .....	83,054	83,054	83,054	83,054	83,056	83,056
Retained earnings .....	565,261	549,747	507,434	478,355	475,987	432,696
Common stock in treasury, at cost.....	(73,659)	(74,923)	(74,907)	(74,896)	(44,877)	(44,850)
Total shareholders' equity .....	641,034	624,255	581,959	552,891	580,543	537,279
<b>Accumulated other comprehensive income:</b>						
Unrealized gains (losses) on securities .....	4,559	2,192	4,521	(3,901)	(3,306)	10,157
Deferred losses on hedges.....	(28)	(35)	(17)	(27)	(90)	(51)
Foreign currency translation adjustments.....	(37,556)	(34,166)	(27,871)	(30,008)	(9,907)	(7,253)
Total accumulated other comprehensive income .....	(33,026)	(32,010)	(23,367)	(33,937)	(13,304)	2,853
<b>Minority interests in subsidiaries .....</b>	<b>63,509</b>	61,810	66,562	63,654	63,035	60,983
Total net assets .....	671,517	654,055	625,153	582,608	630,274	601,116
Total liabilities and net assets .....	¥1,101,884	¥1,094,400	¥1,081,679	¥1,090,483	¥1,202,840	¥1,169,182

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME (BASED ON JAPANESE GAAP)

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

							In millions of yen
	2012	2011	2010	2009	2008	2007	
Revenue .....	<b>¥679,173</b>	¥663,887	¥654,678	¥678,400	¥682,619	¥613,976	
Percentage change from prior year .....	<b>2.3%</b>	1.4%	(3.5%)	(0.6%)	11.2%	8.2%	
Costs of revenue .....	<b>458,452</b>	423,983	415,390	444,771	433,030	388,787	
As a percentage of revenue .....	<b>67.5</b>	63.9	63.4	65.6	63.4	63.3	
Gross profit .....	<b>220,720</b>	239,904	239,288	233,628	249,589	225,189	
As a percentage of revenue .....	<b>32.5</b>	36.1	36.6	34.4	36.6	36.7	
Selling, general and administrative expenses .....	<b>139,642</b>	140,762	140,749	145,994	144,883	127,348	
As a percentage of revenue .....	<b>20.6</b>	21.2	21.5	21.5	21.3	20.7	
Operating profit.....	<b>81,078</b>	99,141	98,539	87,634	104,706	97,840	
As a percentage of revenue .....	<b>11.9</b>	14.9	15.1	12.9	15.3	15.9	
Non-operating income.....	<b>12,970</b>	17,428	9,158	12,957	20,125	15,087	
Non-operating expenses .....	<b>6,209</b>	6,895	9,371	9,666	10,552	10,207	
Ordinary profit .....	<b>87,839</b>	109,674	98,327	90,924	114,278	102,720	
As a percentage of revenue .....	<b>12.9</b>	16.5	15.0	13.4	16.7	16.7	
Extraordinary profit.....	<b>287</b>	1,717	3,370	482	2,748	2,601	
Extraordinary losses.....	<b>11,558</b>	5,749	5,463	27,875	4,984	3,317	
Income before income taxes .....	<b>76,567</b>	105,642	96,233	63,531	112,043	102,005	
As a percentage of revenue .....	<b>11.3</b>	15.9	14.7	9.4	16.4	16.6	
Income taxes—current .....	<b>32,023</b>	37,303	38,172	41,768	42,602	39,961	
Income taxes—deferred .....	<b>4,600</b>	1,383	4,944	(3,244)	2,656	(660)	
Net income before minority interests in subsidiaries.....	<b>39,943</b>	66,955	—	—	—	—	
Minority interests in subsidiaries.....	<b>4,454</b>	6,109	5,505	3,504	5,278	4,404	
Net income .....	<b>35,489</b>	60,846	47,611	21,502	61,506	58,299	
As a percentage of revenue .....	<b>5.2</b>	9.2	7.3	3.2	9.0	9.5	
Percentage change from prior year .....	<b>(41.7)</b>	27.8	121.4	(65.0)	5.5	10.0	

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (BASED ON JAPANESE GAAP)

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

							In millions of yen
	2012	2011	2010	2009	2008	2007	
Net income before minority interests in subsidiaries.....	<b>¥39,943</b>	¥66,955	¥—	¥—	¥—	¥—	
Other comprehensive income:							
Unrealized losses on securities .....	<b>2,318</b>	(2,970)	—	—	—	—	
Deferred gains on hedges.....	<b>8</b>	16	—	—	—	—	
Foreign currency translation adjustments.....	<b>(2,262)</b>	(5,191)	—	—	—	—	
Share of other comprehensive losses of affiliated companies accounted for under the equity method.....	<b>(1,281)</b>	(1,069)	—	—	—	—	
Total other comprehensive income .....	<b>(1,217)</b>	(9,214)	—	—	—	—	
Comprehensive income.....	<b>38,726</b>	57,740	—	—	—	—	
Comprehensive income attributable to:							
Comprehensive income attributable to owners of the parent company .....	<b>34,473</b>	52,203	—	—	—	—	
Comprehensive income attributable to minority interests....	<b>4,253</b>	5,537	—	—	—	—	

## **NONCONSOLIDATED FINANCIAL DATA (BASED ON JAPANESE GAAP) [REFERENCE]**

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## CONDENSED NONCONSOLIDATED BALANCE SHEETS (BASED ON JAPANESE GAAP)

SECOM CO., LTD.  
As of March 31

In millions of yen

ASSETS	2012	2011	2010	2009	2008	2007
<b>Current assets:</b>						
Cash on hand and in banks.....	¥ 82,631	¥ 74,680	¥ 44,607	¥ 31,149	¥ 77,130	¥ 71,818
Cash deposits for armored car services.....	52,386	54,641	46,957	54,258	60,821	67,799
Notes receivable.....	720	221	248	389	534	667
Due from subscribers.....	14,324	11,563	11,434	11,630	11,661	10,972
Accounts receivable, trade.....	10,039	6,074	6,484	6,732	6,760	6,952
Receivables—other.....	2,159	2,385	2,556	2,415	2,921	2,218
Short-term investments.....	456	456	2,429	455	454	452
Merchandise.....	5,152	4,279	6,574	5,652	6,298	5,991
Supplies.....	1,470	1,167	1,082	1,101	952	1,024
Prepaid expenses.....	2,253	2,051	2,016	2,034	1,913	2,014
Deferred income taxes.....	4,269	4,938	4,720	4,446	4,714	4,750
Short-term loans receivable.....	369	277	171	173	236	463
Short-term loans receivable to subsidiaries and affiliated companies.....	15,197	4,040	3,669	11,471	17,782	13,910
Other.....	1,639	1,857	2,129	3,457	2,720	2,615
Allowance for doubtful accounts.....	(268)	(206)	(450)	(567)	(568)	(541)
Total current assets.....	192,804	168,428	134,634	134,801	194,333	191,111
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements.....	16,409	22,310	22,360	23,055	21,969	22,124
Automobiles.....	231	243	368	386	122	136
Security equipment and control stations.....	65,341	61,461	60,860	63,064	62,419	60,284
Machinery and equipment.....	361	565	828	1,071	1,267	1,364
Tools, furniture and fixtures.....	3,301	3,151	3,519	3,717	3,239	4,216
Land.....	28,555	28,390	28,352	28,306	25,913	32,092
Construction in progress.....	1,710	1,743	1,203	1,588	1,961	2,980
Other.....	374	513	654	634	14	22
Intangible assets:						
Telephone and telegraph utility rights.....	—	—	—	—	—	83
Goodwill.....	3,350	—	—	—	—	—
Software.....	5,487	6,751	7,580	6,578	7,184	4,755
Other.....	1,586	815	975	542	516	3,419
Investments and others:						
Investment securities.....	23,906	20,969	21,769	21,267	28,668	43,165
Investment securities in subsidiaries and affiliated companies.....	190,305	203,036	193,899	192,775	194,110	166,839
Investments in subsidiaries and affiliated companies.....	1,883	1,874	1,874	1,874	1,874	1,074
Long-term loans receivable.....	4,298	4,687	5,088	8,468	8,453	18,308
Long-term loans receivable to employees.....	59	53	55	40	31	24
Long-term loans receivable to subsidiaries and affiliated companies.....	123,716	113,536	128,727	134,636	66,354	52,929
Lease deposits.....	8,147	8,047	8,583	8,702	8,859	8,973
Long-term prepaid expenses.....	24,013	25,872	25,816	26,412	26,165	24,855
Prepaid pension and severance costs.....	15,903	14,321	14,364	14,561	13,769	12,213
Deferred income taxes.....	130	13,865	14,099	14,763	6,760	5,139
Insurance funds.....	4,181	4,181	4,334	4,896	4,893	4,893
Other.....	2,713	2,831	800	1,065	975	983
Allowance for doubtful accounts.....	(19,326)	(12,995)	(12,544)	(13,354)	(6,812)	(7,200)
Total fixed assets.....	506,643	526,227	533,572	545,056	478,710	463,680
Total assets.....	¥699,448	¥694,656	¥668,207	¥679,858	¥673,043	¥654,791

In millions of yen

LIABILITIES	2012	2011	2010	2009	2008	2007
<b>Current liabilities:</b>						
Accounts payable.....	¥ 2,400	¥ 1,672	¥ 2,009	¥ 2,319	¥ 2,757	¥ 2,573
Bank loans .....	27,659	29,386	24,492	60,893	30,401	27,667
Lease obligations .....	80	71	51	43	—	—
Payables—other .....	13,756	10,824	10,811	10,981	10,838	12,596
Payables—construction .....	4,343	3,719	3,425	3,742	3,607	3,825
Accrued income taxes .....	3,938	12,450	14,637	11,849	15,834	15,775
Accrued consumption taxes.....	2,062	1,422	1,491	1,622	1,566	2,029
Accrued expenses.....	716	722	555	597	640	639
Deposits received .....	22,066	20,362	23,625	28,451	31,299	41,603
Deferred revenue .....	22,340	22,229	22,558	22,735	22,903	22,735
Accrued bonuses.....	6,116	5,468	5,493	5,537	5,372	5,207
Other .....	640	2,107	2,133	1,928	1,958	895
Total current liabilities.....	106,121	110,439	111,287	150,704	127,180	135,548
<b>Long-term liabilities:</b>						
Lease obligations .....	2,217	2,253	182	192	—	—
Guarantee deposits received.....	18,099	18,262	17,965	18,146	18,174	18,449
Accrued pension and severance costs .....	3,945	4,040	4,394	4,766	5,087	5,370
Accrued retirement benefits for directors and corporate auditors.....	1,294	1,232	1,174	1,104	1,070	1,268
Other .....	10	11	272	12	—	—
Total long-term liabilities.....	25,568	25,799	23,989	24,221	24,333	25,088
Total liabilities.....	131,689	136,238	135,276	174,926	151,513	160,637
<b>NET ASSETS</b>						
<b>Shareholders' equity:</b>						
Common stock.....	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus:						
Additional paid-in capital .....	83,054	83,054	83,054	83,054	83,054	83,054
Other capital surplus.....	—	—	—	—	1	1
Total capital surplus.....	83,054	83,054	83,054	83,054	83,056	83,056
Retained earnings:						
Legal reserve.....	9,028	9,028	9,028	9,028	9,028	9,028
Other retained earnings:						
Reserve for system developments.....	800	800	800	800	800	800
General reserve .....	2,212	2,212	2,212	2,212	2,212	2,212
Accumulated earnings carried forward .....	478,914	472,070	445,579	418,306	405,015	372,966
Total retained earnings .....	490,954	484,110	457,620	430,347	417,055	385,006
Common stock in treasury, at cost.....	(73,659)	(74,923)	(74,907)	(74,896)	(44,877)	(44,850)
Total shareholders' equity .....	566,727	558,619	532,145	504,883	521,612	489,590
<b>Valuation, translation adjustments and others:</b>						
Unrealized gains (losses) on securities .....	1,031	(201)	786	48	(82)	4,564
Total valuation, translation adjustments and others.....	1,031	(201)	786	48	(82)	4,564
Total net assets.....	567,758	558,417	532,931	504,932	521,529	494,154
Total liabilities and net assets .....	¥699,448	¥694,656	¥668,207	¥679,858	¥673,043	¥654,791

## CONDENSED NONCONSOLIDATED STATEMENTS OF INCOME (BASED ON JAPANESE GAAP)

SECOM CO., LTD.  
Years ended March 31

	2012	2011	2010	2009	2008	2007	In millions of yen
Revenue .....	<b>¥345,476</b>	¥329,297	¥328,773	¥336,893	¥337,611	¥326,076	
Percentage change from prior year .....	<b>4.9%</b>	0.2%	(2.4%)	(0.2%)	3.5%	4.1%	
Service charges.....	<b>299,523</b>	290,252	291,325	294,386	291,350	282,247	
Percentage change from prior year .....	<b>3.2</b>	(0.4)	(1.0)	1.0	3.2	3.4	
Sales of merchandise.....	<b>45,952</b>	39,045	37,447	42,506	46,261	43,829	
Percentage change from prior year .....	<b>17.7</b>	4.3	(11.9)	(8.1)	5.5	9.0	
Costs .....	<b>203,386</b>	191,284	188,701	193,842	192,417	183,341	
As a percentage of revenue .....	<b>58.9</b>	58.1	57.4	57.5	57.0	56.2	
Costs of service .....	<b>169,928</b>	160,203	160,349	161,548	158,031	151,532	
As a percentage of service charges .....	<b>56.7</b>	55.2	55.0	54.9	54.2	53.7	
Costs of sales .....	<b>33,458</b>	31,081	28,352	32,294	34,386	31,809	
As a percentage of merchandise sales.....	<b>72.8</b>	79.6	75.7	76.0	74.3	72.6	
Gross profit.....	<b>142,089</b>	138,013	140,072	143,050	145,193	142,734	
As a percentage of revenue .....	<b>41.1</b>	41.9	42.6	42.5	43.0	43.8	
Gross profit on service .....	<b>129,595</b>	130,048	130,976	132,838	133,318	130,715	
As a percentage of service charges .....	<b>43.3</b>	44.8	45.0	45.1	45.8	46.3	
Gross profit on sales.....	<b>12,494</b>	7,964	9,095	10,212	11,874	12,019	
As a percentage of merchandise sales.....	<b>27.2</b>	20.4	24.3	24.0	25.7	27.4	
Selling, general and administrative expenses .....	<b>71,893</b>	69,324	68,544	70,434	71,038	69,330	
As a percentage of revenue .....	<b>20.8</b>	21.0	20.8	20.9	21.0	21.3	
Operating profit.....	<b>70,196</b>	68,688	71,527	72,616	74,155	73,404	
As a percentage of revenue .....	<b>20.3</b>	20.9	21.8	21.6	22.0	22.5	
Non-operating income.....	<b>8,048</b>	8,863	9,225	9,721	9,607	7,942	
Non-operating expenses .....	<b>3,032</b>	3,050	3,290	3,990	4,575	4,763	
Ordinary profit .....	<b>75,212</b>	74,501	77,462	78,346	79,187	76,583	
As a percentage of revenue .....	<b>21.8</b>	22.6	23.6	23.3	23.5	23.5	
Extraordinary profit .....	<b>23,001</b>	106	561	67	2,221	1,246	
Extraordinary losses.....	<b>40,695</b>	2,637	4,639	27,068	566	1,141	
Income before income taxes .....	<b>57,518</b>	71,970	73,384	51,345	80,842	76,688	
As a percentage of revenue .....	<b>16.6</b>	21.9	22.3	15.2	23.9	23.5	
Income taxes.....	<b>30,699</b>	26,946	27,578	18,931	30,795	29,443	
Effective tax rate .....	<b>53.4</b>	37.4	37.6	36.9	38.1	38.4	
Net income .....	<b>26,818</b>	45,023	45,806	32,414	50,046	47,245	
As a percentage of revenue .....	<b>7.8</b>	13.7	13.9	9.6	14.8	14.5	
Percentage change from prior year .....	<b>(40.4)</b>	(1.7)	41.3	(35.2)	5.9	7.7	

# CORPORATE INFORMATION

(As of June 30, 2012)

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

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2012)
<b>Domestic</b>				
<b>&lt;Security services&gt;</b>				
Secom Joshinetsu Co., Ltd.	¥3,530	(50.9)%	Security services	
Secom Hokuriku Co., Ltd.	201	59.1	Security services	
Secom Yamanashi Co., Ltd.	15	70.0	Security services	
Secom Mie Co., Ltd.	50	51.0	Security services	
Secom Sanin Co., Ltd.	286	67.0	Security services	
Secom Miyazaki Co., Ltd.	30	68.3	Security services	
Secom Jastic Co., Ltd.	210	100.0	Security services	
Secom Jastic Joshinetsu Co., Ltd.	40	(100.0)	Security services	
Secom Jastic Hokuriku Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Miyazaki Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Akita Co., Ltd.	10	100.0	Security services	
Secom Jastic Sanin Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Yamanashi Co., Ltd.	10	(100.0)	Security services	
Secom Static Hokkaido Co., Ltd.	50	100.0	Security services	
Secom Static Tohoku Co., Ltd.	50	100.0	Security services	
Secom Static Nishi-Nihon Co., Ltd.	50	100.0	Security services	
Secom Static Kansai Co., Ltd.	50	100.0	Security services	
Secom Sado Co., Ltd.	24	(54.5)	Security services	
JK. Siress Co., Ltd.	10	(100.0)	Security services	
Japan Safety Guard Co., Ltd.	100	60.0	Security services	
Meian Co., Ltd.	60	51.0	Security services	
Secom Tech Sanin Co., Ltd.	23	(100.0)	Installation of security equipment	
Secom Techno Joshinetsu Co., Ltd.	30	(100.0)	Installation of security equipment	
Secom Win Co., Ltd.	15	66.7	Installation of security equipment and facilities	
TES Co., Ltd.	20	(100.0)	Maintenance of equipment	
Secom Tohoku Enterprise Co., Ltd.	100	100.0	Design, construction and maintenance of facilities	
Secom Industries Co., Ltd.	499	100.0	Manufacturing of security equipment	
Otec Electronics Co., Ltd.	200	82.0	Manufacturing and sales of security systems	
Secom Alpha Co., Ltd.	271	100.0	Sales of security and water-treatment equipment	
Yanoshin Air Conditioning Co., Ltd.	80	100.0	Sales of air-conditioning equipment	
Secom Mine Security Co., Ltd.	30	100.0	Security services	
Social Rehabilitation Support Kitsuregawa Co., Ltd.	10	51.7	Operation of PFI correctional facilities	
Secom Kitsuregawa Security Co., Ltd.	50	100.0	Security services	
Home Life Kanri Co., Ltd.	40	(100.0)	Condominium management	
Japan Security System, Inc.	22	(99.9)	Security services	

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

(Continued)

**MAJOR CONSOLIDATED SUBSIDIARIES**

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2012)
<b>&lt;Fire protection services&gt;</b>				
Nohmi Bosai Ltd.	¥13,302	(50.4)%	Manufacturing and sales of fire protection equipment and facilities	
Ichibou Co., Ltd.	28	(73.2)	Installation of fire protection equipment	
Kyushu Nohmi Co., Ltd.	30	(100.0)	Installation and maintenance of fire protection equipment	
Chiyoda Service Co., Ltd.	20	(70.0)	Building management	
Nohmi Engineering Corp.	40	(100.0)	Installation of fire protection equipment	
Nohmi System Co., Ltd.	20	(100.0)	Maintenance of fire protection equipment	
Iwate Nohmi Co., Ltd.	30	(100.0)	Installation of fire protection equipment	
Tohoku Bosai Plant Co., Ltd.	12	(100.0)	Installation of fire protection equipment	
Aomori Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Osaka Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nissin Bohsai Co., Ltd.	50	(100.0)	Installation of fire protection equipment	
Chiba Nohmi Co., Ltd.	10	(100.0)	Installation of fire protection equipment	
Shikoku Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nohmi Techno Engineering Co., Ltd.	40	(100.0)	Installation of environmental monitoring systems	
Akita Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Fukushima Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Tohoku Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nohmi Plant Niigata Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Hokkaido Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Yashima Bosai Setsubi Co., Ltd.	20	(81.8)	Installation of fire protection equipment	
Nittan Co., Ltd.	2,303	100.0	Installation, sale and maintenance of fire protection equipment	
Nittan Electronic Co., Ltd.	60	(90.4)	Manufacturing of fire protection equipment	
Nittan Denko Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Hokkaido Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Tohoku Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Nagoya Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Service Center Osaka Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Hiroshima Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Shikoku Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Fukuoka Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Sogo Denki Trading Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Shell beach Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
<b>&lt;Medical services&gt;</b>				
Secom Medical System Co., Ltd.	6,545	100.0	Home health/nursing care and other medical-related services	
Mac Corp.	95	(100.0)	Sales of medical equipment	
Yoshikikaku Co., Ltd.	20	(100.0)	Operation of restaurants and shops at medical facilities	
Kensei Co., Ltd.	100	(100.0)	Management of pharmacies	
Ryomay Royal Life Co., Ltd.	210	86.5	Management of nursing homes	
Alive Medicare Co., Ltd.	50	(100.0)	Management of nursing homes	
Secom Medical Resource Co., Ltd.	10	(100.0)	Medical staffing solutions	
Secomfort Co., Ltd.	100	(100.0)	Management of nursing homes	
Secomfort West Co., Ltd.	100	(100.0)	Management of nursing homes	
US Chemical Co., Ltd.	3	(100.0)	Management of pharmacies	

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

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2012)
<b>&lt;Insurance services&gt;</b>				
Secom Insurance Service Co., Ltd.	¥ 225	(100.0)%	Non-life insurance agency	
Secom General Insurance Co., Ltd.	16,809	97.1	Non-life insurance	
<b>&lt;Geographic information services&gt;</b>				
Pasco Corp.	8,758	69.8	Geographic information services	
Pasco Space Mapping Technology Co., Ltd.	25	(100.0)	Geographic information services	
GIS Hokkaido Co., Ltd.	190	(100.0)	Geographic information services	
GIS Tohoku Co., Ltd.	50	(84.6)	Geographic information services	
GIS Kanto Co., Ltd.	40	(52.6)	Geographic information services	
GIS Kansai Co., Ltd.	99	(100.0)	Geographic information services	
Mid Map Tokyo Corp.	15	(60.0)	Geographic information services	
RIIC Corp.	20	(51.0)	Geographic information services	
Higashi-Nihon Sogo Keikaku Co., Ltd.	200	(100.0)	Geographic information services	
Satellite Vision Corp.	20	(100.0)	Geographic information services	
<b>&lt;Real estate development and sales&gt;</b>				
Secom Home Life Co., Ltd.	3,700	99.9	Development of residential buildings	
<b>&lt;Information and communication related and other services&gt;</b>				
Secom Trust Systems Co., Ltd.	1,469	100.0	Information, communication, information security services and software development	
Arai & Co., Ltd.	3,000	86.7	Real estate leasing	
Arai Corporation, Inc.	10	(100.0)	Management of real estate	
Secom Credit Co., Ltd.	400	100.0	Credit services	
Secom Corp.	100	100.0	Printing services	
Secom Auto Service Co., Ltd.	45	100.0	Car maintenance	
Wonder Dream Co., Ltd.	490	100.0	Employee welfare for SECOM Group	
Secom Staff Service Co., Ltd.	50	(100.0)	Employment agency	
The Windsor Hotels International Co., Ltd.	165	90.0	Hotel management	
Secom Business Plus Co., Ltd.	20	100.0	General office services	
Secom Home Service Co., Ltd.	32	100.0	Lifestyle support services	
Kurashi-TEL Co., Ltd.	100	60.0	Comprehensive lifestyle support services	

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

(Continued)

**MAJOR CONSOLIDATED SUBSIDIARIES**

	Issued capital	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2012)
<b>Overseas</b>				
<b>&lt;Security services&gt;</b>				
Secom plc	£44,126 thousand	100.0%	Security services	
Secom (China) Co., Ltd.	¥5,550 million	100.0	Holding company	
Dalian Secom Security Co., Ltd.	US\$2,000 thousand	(95.0)	Security services	
Shanghai Secom Security Co., Ltd.	US\$3,500 thousand	(85.0)	Security services	
Beijing Jingdun Secom Electronic Security Co., Ltd.	US\$2,500 thousand	(80.0)	Security services	
Qingdao Secom Security Co., Ltd.	US\$1,000 thousand	(80.0)	Security services	
Guangdong Jinpeng Secom Security Co., Ltd.	US\$2,000 thousand	(90.0)	Security services	
Fujian Secom Security Co., Ltd.	Rmb7,000 thousand	(95.0)	Security services	
Sichuan Secom Security Co., Ltd.	Rmb10,000 thousand	(91.0)	Security services	
Shaanxi Secom Security Co., Ltd.	Rmb6,000 thousand	(85.0)	Security services	
Zhejiang Secom Security Co., Ltd.	Rmb15,000 thousand	(97.0)	Security services	
Liaoning Secom Security Co., Ltd.	Rmb10,000 thousand	(60.0)	Security services	
Tianjin Secom Property Management Co., Ltd.	Rmb2,000 thousand	(80.0)	Comprehensive building management services	
P.T. Secom Indopratama	US\$3,950 thousand	94.9	Security services	
Thaiseicom Pitakkij Co., Ltd.	THB378,857 thousand	70.0	Security services	
Secom Australia Pty. Ltd.	AUD17,297 thousand	100.0	Security services	
Secom Technical Services Unit Trust	AUD5,951 thousand	(70.0)	Security services	
Secom Australia (ACT) Unit Trust	AUD700 thousand	(100.0)	Security services	
Secom Guardall NZ Ltd.	NZD1,604 thousand	(80.0)	Security services	
Secom Vietnam Co., Ltd.	US\$600 thousand	80.0	Security service-related consulting	
<b>&lt;Other services&gt;</b>				
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd.	US\$14,300 thousand	(100.0)	Manufacturing and sales of fire protection equipment and facilities	
Nohmi Taiwan Ltd.	NT\$15,000 thousand	(58.0)	Manufacturing and sales of fire protection equipment and facilities	
Nittan Europe Ltd.	£1,194 thousand	(100.0)	Sales of fire protection equipment	
Nittan Fire Protection System (Zhongshan) Co.,Ltd.	US\$1,400 thousand	(70.0)	Sales of fire protection equipment	
Taiwan Nittan Fire & Safety Co.,Ltd.	NT\$3,800 thousand	(51.0)	Sales of fire protection equipment	
Nittan Fire Prevention Technology (Beijing) Corp.	US\$550 thousand	(100.0)	Sales of fire protection equipment	
Pasco Philippines Corp.	PHP20,400 thousand	(100.0)	Geographic information services	
Pasco China Corp.	Rmb22,320 thousand	(99.0)	Geographic information services	
Suzhou Super Dimension Earth Science Research and Development Co., Ltd.	Rmb1,000 thousand	(92.0)	Geographic information services	
Shanghai Pasco China Corp.	Rmb800 thousand	(100.0)	Geographic information services	
Pasco (Thailand) Co., Ltd.	THB129,000 thousand	(100.0)	Geographic information services	
P.T. Nusantara Secom InfoTech	US\$3,304 thousand	(100.0)	Geographic information services and software development	
FM-International Oy	EUR10,994 thousand	(100.0)	Geographic information services	
Aerodata International Surveys BVBA	EUR67 thousand	(74.9)	Geographic information services	
Pasco Europe B.V.	EUR5,500 thousand	(100.0)	Geographic information services	
Pasco North America Inc.	US\$2,671 thousand	(100.0)	Geographic information services	
Keystone Aerial Surveys Inc.	US\$7 thousand	(70.0)	Geographic information services	
Airmag Surveys Inc.	US\$15 thousand	(100.0)	Geographic information services	
Base Aerofotogrametria E Projetos S.A.	BRL5,000 thousand	(51.0)	Geographic information services	
The Westec Security Group, Inc.	US\$0.3 thousand	100.0	Holding company	
ClearLight Partners, LLC	US\$49,800 thousand	(99.7)	Investment	
ClearLight Partners II, LLC	US\$222,659 thousand	(99.0)	Investment	

Notes: 1. ( ) indicates the percentage of equity/voting rights held by both SECOM CO., LTD. and certain of its subsidiaries, or by certain subsidiaries independently.

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

# SECOM's BASIC BUSINESS AREAS

SECOM offers a wide range of services and products with the aim of realizing its Social System Industry vision.

## Security Services

### Centralized Security Systems

**Commercial Use:**

- **SECOM AX**  
SECOM AX is an on-line security system with advanced on-site image sensors that incorporate microphones to enable the SECOM control center staff to check the subscriber's premises by listening and viewing.

- **SECOM IX**  
SECOM IX is a remote imaging security system for commercial facilities offering round-the-clock services.

- **INTELLIGENT EMERGENCY ALERT SYSTEM**  
The Intelligent Emergency Alert System automatically recognizes robberies or other suspicious situations and alerts a SECOM control center without the need for anyone to push an emergency alarm button, applying advanced image recognition and voice processing technologies to aid in the early detection of irregularities.

- **SECOM DX**  
SECOM DX is an on-line security system developed to meet the needs of shops, offices, warehouses, factories and other commercial and industrial establishments.

- **SECOM TX**  
SECOM TX is an on-line security system for commercial buildings with more than one tenant.

- **HANKS SYSTEM**  
HANKS SYSTEM is an on-line security system for financial institutions, including automated banking facilities.

- **SECOM CX**  
SECOM CX offers a comprehensive building management system that monitors and manages large building complexes.

**Residential Use:**

- **SECOM HOME SECURITY**  
SECOM Home Security is a comprehensive home security system combining around-the-clock intrusion- and fire-prevention services, emergency call services, gas leak monitoring and medical emergency call services. SECOM Home Security G-Custom combines these features with other useful services, including a storage service for important personal data and information on other services available from Group-selected collaborating companies.

## Fire Protection Services

### FIRE ALARM SYSTEMS

This business encompasses the assembly, installation and sale of a broad range of equipment and systems, including automatic fire alarm systems, environmental monitoring systems, and fire and smoke control systems, suited to buildings of varying sizes and uses, from homes to large-scale commercial and industrial facilities.

### FIRE EXTINGUISHING SYSTEMS

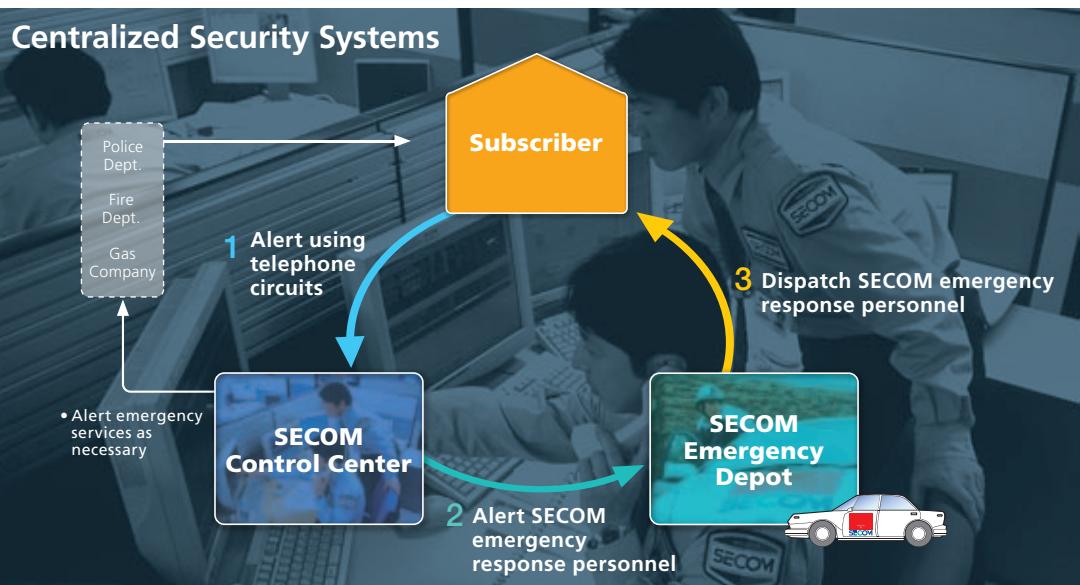
SECOM offers an extensive lineup, including fire sprinklers and other water fire extinguishing systems, foam fire extinguishing systems, dry chemical fire extinguishing systems and inert gas fire extinguishing systems, for applications ranging from office buildings to chemical plants and tunnels.

### MAINTENANCE SERVICES

This business centers on inspection, maintenance and repair services, as well as round-the-clock on-line monitoring and other services provided through a customer services center.

### OTHERS

This category comprises the installation and maintenance of parking lot control systems and the assembly and sale of printed circuit boards for manufacturers in other industries, including medical and electronics equipment.



### SECURITY SYSTEMS FOR MULTIFAMILY DWELLINGS

SECOM provides comprehensive building management functions for condominiums and total safety with a centralized security system for each unit in the building. SECOM's menu includes services for small-scale multifamily dwellings.

### SECOM REMOTE MONITORING FOR SENIORS

SECOM Remote Monitoring for Seniors monitors the safety and wellbeing of seniors living alone and responds appropriately when needed. This convenient package bundles basic services, including fire protection, emergency alert, medical emergency alert, everyday monitoring and consulting on health-related matters, with a safety confirmation service whereby SECOM staff check regularly by calling or visiting.

### Large-Scale Proprietary Security Systems

#### TOTAX ZETA

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

## Medical Services

### HOME MEDICAL SERVICES

SECOM's medical services for patients at home include pharmaceutical services, encompassing the preparation and delivery of prescription pharmaceuticals, and home nursing services provided through visiting nurse stations. SECOM also provides consulting and support services for physicians opening home medical care clinics.

### HOME-BASED PERSONAL CARE SERVICES

SECOM provides patients recovering at home with caregivers to assist with personal hygiene, bathing, exercise and other daily activities, as well as provide light housekeeping.

### SECOM UBIQUITOUS ELECTRONIC MEDICAL REPORT (EMR)

SECOM Ubiquitous EMR is a medical report system for home medical care aimed at clinics and small and medium-sized hospitals. The system enables the sharing of data among members of the home-care team, including the primary physician, visiting nurse and pharmacy.

### Hospit-net

Hospit-net, a remote image diagnosis support service, transmits magnetic resonance imaging (MRI), computerized tomography (CT) and other images to SECOM's Hospit-net center, where diagnostic experts examine them and provide consultation to the primary physician.

### MY SPOON

My Spoon is a robot that enables people with impaired upper body mobility to eat with minimal assistance. This is the first robot of its kind in Japan.

### RESIDENCES FOR SENIORS WITH FULL-TIME PERSONAL CARE SERVICES

SECOM manages the SacraVita Seijo, Royal Life Tama, Comfort Garden Azamino, Comfort Hills Rokko and Alive Care Home series of residences for seniors.

### SECOM HEALTH CARE CLUB

SECOM Health Care Club is a membership-based club that provides access to a variety of health management services, including testing with a PET/CT scanner. The club is offered through an alliance with Yotsuya Medical Cube, a cutting-edge clinic in Tokyo.

## COCO-SECOM

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

### Static Guard Services

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

### Armored Car Services

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

## Insurance Services

### SECURITY DISCOUNT FIRE POLICY

Security Discount Fire Policy is a commercial fire insurance policy that features reduced premiums for subscribers to commercial security systems.

### SECOM ANSHIN MY HOME

SECOM Anshin My Home is a comprehensive fire insurance policy that features reduced premiums for subscribers to home security systems.

### MEDCOM

MEDCOM is an unrestricted treatment policy that covers the cost of cancer treatment not covered by Japan's national health insurance scheme, as well as the patient's portion of the cost of medical care covered by the national health insurance scheme. MEDCOM also provides hospital referrals and treatment-related consulting services.

### SECOM ANSHIN MY CAR

SECOM Anshin My Car is a comprehensive automobile insurance policy that includes on-site emergency services in the event of an accident, as well as discounts for drivers without a traffic violation history or on cars equipped with antitheft devices.

## Geographic Information Services

### PasCAL SERIES

Designed for local governments, the PasCAL series of comprehensive GIS services facilitates the effective use of GIS in a variety of situations.

### MarketPlanner SERIES

The MarketPlanner series uses a variety of data sorting and presentation methods to support the efforts of growing companies to establish area marketing strategies.

### SAFE ROUTE MAPPING SERVICE

This service helps companies ensure their employees are able to reach home safely and assists crisis management efforts in the event of a major earthquake. A version of this service is also available to individuals.

## SECOM AED Package Service

The SECOM AED Package Service is a full-service package encompassing leasing and maintenance of emergency lifesaving kits featuring automated external defibrillators (AEDs) to non-medical professionals.

## Merchandise

### SECOM CCTV SYSTEM

The SECOM CCTV system is a multifunctional, cost-effective closed-circuit surveillance camera system. The system provides stable monitoring even in places where insufficient light makes clear images difficult and allows the combined use of digital and analog cameras. It is also capable of detecting attempts to disable or destroy the camera.

### SECURILOCK SERIES

The SECURILOCK series uses identification numbers, integrated circuit (IC) pass cards and other methods to control access to restricted areas.

### SESAMO SERIES

The SESAMO series comprises access-control systems for use in corporate offices, factories, parking facilities and any other security-sensitive areas. These systems employ such technologies as contactless IC pass cards, magnetic cards, personal identification numbers, fingerprint identification and palm vein identification.

### TOMAHAWK SERIES

The TOMAHAWK series is an extensive lineup of innovative extinguishing systems, including TOMAHAWK MACH II residential-use fire extinguisher and TOMAHAWK III high-speed automated fire extinguishing system with gas suppression.

### PYTHAGORAS SERIES

PYTHAGORAS is a series of security vaults with superior protection, heat resistance and performance.

### SECURIFACE

SECURIFACE is a residential intercom system that combines a face detection function with SECOM Home Camera System, enhancing security for people at home.

### LASER SENSOR

Laser Sensor is an external monitoring sensor that uses a laser beam to facilitate effective detection of intrusions over a broad area. The sensor is flexible and can be programmed to accommodate various monitoring areas.

### PHYSICAL SECURITY PRODUCTS FOR HOMES

SECOM offers a broad range of physical security products for homes. These include SECOM Anshin Glass, a high-impact breakage-resistant window glass designed to prevent intruders from entering through broken windows; SECOM Window Frame, a window frame with reinforced stainless bars; and Strong Door, a door that cannot be forced open for an extended period of time after it has been engaged.

## Real Estate Development and Sales

### REAL ESTATE DEVELOPMENT AND SALES

SECOM offers Glorio condominiums.

## Information and Communication Related and Other Services

### SECURE DATA CENTER

Secure Data Center facilities provide a comprehensive service for e-business that combines SECOM's expertise in both physical and information security.

### DIGITAL AUTHENTICATION SERVICES

SECOM offers public key infrastructure (PKI) services that provide an effective means of establishing credibility among Internet users, including issuance of digital certificates and a set-up and operating service for organizations that wish to establish their own digital certificate authority.

### NETWORK SECURITY MONITORING SERVICES

SECOM provides security and stability for clients' IT systems around the clock. SECOM monitors and reports on threats to security, and on network operating status and network traffic.

### TOTAL SUPPORT SERVICE OF EMERGENCY MANAGEMENT

Total Support Service of Emergency Management rallies the strengths of the Group to provide comprehensive support for the formulation of BCPs, as well as security services, fire protection services, geographic information services and information and communication related and other services, among others, when disaster occurs, ensuring prompt initial response services and helping with post-event recovery.

### SECOM HOME SERVICE/SEIKATSU TASUKE

Secom Home Service is a suite of convenient lifestyle support services for SECOM Home Security subscribers ranging from patrolling subscribers' homes when occupants are away to assistance with housekeeping. *Seikatsu Tasuke* is a comprehensive suite of lifestyle and household support services.

# DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

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Juichi Toda  
Co-Founder



Shohei Kimura  
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Shuji Maeda  
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(As of July 31, 2012)



**SECOM CO., LTD.**

5-1, Jingumae 1-chome, Shibuya-ku,

Tokyo 150-0001, Japan

<http://www.secom.co.jp/>



Printed in Japan