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**FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2012**  
**(Based on JAPANESE GAAP) (Consolidated)**

May 10, 2012

Company name: SECOM CO., LTD. (URL: <http://www.secom.co.jp/>)  
Code number: 9735 Tokyo Stock Exchange ----- First Section  
Osaka Securities Exchange ----- First Section  
Corporate headquarters: Tokyo, Japan  
Representative: Shuji Maeda, President and Representative Director  
For inquiries: Katsuhisa Kuwahara, Executive Director Phone (03) 5775-8100  
Scheduled date of General Shareholders' Meeting: June 26, 2012  
Scheduled date of dividend payout: June 27, 2012  
Scheduled date of filing Securities Report: June 26, 2012  
Preparation of supplementary materials: Applicable  
Holding of results information meeting: Applicable (for institutional investors and analysts)

1. Consolidated financial results for the fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

(1) Consolidated operating results (In millions of yen, figures rounded down)

|                                       | Years ended March 31 |                   |
|---------------------------------------|----------------------|-------------------|
|                                       | 2011                 | 2012              |
| Revenue                               | 663,887<br>1.4%      | 679,173<br>2.3%   |
| Operating profit                      | 99,141<br>0.6%       | 81,078<br>(18.2%) |
| Ordinary profit                       | 109,674<br>11.5%     | 87,839<br>(19.9%) |
| Net income                            | 60,846<br>27.8%      | 35,489<br>(41.7%) |
| Basic net income per share (in yen)   | 279.07               | 162.63            |
| Diluted net income per share (in yen) |                      |                   |
| Net income / Equity                   | 10.6%                | 5.9%              |
| Ordinary profit / Total assets        | 10.1%                | 8.0%              |
| Operating profit / Revenue            | 14.9%                | 11.9%             |

Note 1: Comprehensive income:

Year ended March 31, 2012: JPY 38,726 million ((32.9%))

Year ended March 31, 2011: JPY 57,740 million (( 9.8%))

Note 2: Net gains from investment in affiliated companies accounted for under the equity method:

Year ended March 31, 2012: JPY 4,597 million

Year ended March 31, 2011: JPY 4,638 million

Note 3: There is no diluted net income per share as there are no shares with dilutive effect.

Note 4: Percentage figures represent changes from the results of the previous year.

## (2) Consolidated financial positions (In millions of yen, figures rounded down)

|                               | March 31, 2011 | March 31, 2012 |
|-------------------------------|----------------|----------------|
| Total assets                  | 1,094,400      | 1,101,884      |
| Net assets                    | 654,055        | 671,517        |
| Equity ratio                  | 54.1%          | 55.2%          |
| Net assets per share (in yen) | 2,716.35       | 2,785.56       |

Note 1: Equity as of:

March 31, 2012: JPY 608,008 million      March 31, 2011: JPY 592,245 million

Note 2: Equity is calculated by deducting minority interests in subsidiaries from net assets. Net assets per share is calculated by dividing equity by the number of common shares outstanding, excluding treasury stock, as of March 31.

## (3) Consolidated cash flows (In millions of yen, figures rounded down)

|                                                | Years ended March 31 |          |
|------------------------------------------------|----------------------|----------|
|                                                | 2011                 | 2012     |
| Cash flows from operating activities           | 85,292               | 93,071   |
| Cash flows from investing activities           | (57,617)             | (41,614) |
| Cash flows from financing activities           | (17,716)             | (33,846) |
| Cash and cash equivalents at end of the period | 188,174              | 205,362  |

## 2. Dividends (In millions of yen, figures rounded down)

|                                                      | Years ended March 31 |        |                     |
|------------------------------------------------------|----------------------|--------|---------------------|
|                                                      | 2011                 | 2012   | 2013<br>(projected) |
| 1 <sup>st</sup> quarter dividends per share (in yen) | –                    | –      | –                   |
| 2 <sup>nd</sup> quarter dividends per share (in yen) | –                    | –      | –                   |
| 3 <sup>rd</sup> quarter dividends per share (in yen) | –                    | –      | –                   |
| Year-end dividends per share (in yen)                | 90.00                | 90.00  | 100.00              |
| Annual dividends per share (in yen)                  | 90.00                | 90.00  | 100.00              |
| Total annual dividend payout                         | 19,622               | 19,644 |                     |
| Dividend payout ratio (consolidated)                 | 32.2%                | 55.3%  | 35.1%               |
| Total dividends / Net assets (consolidated)          | 3.4%                 | 3.3%   |                     |

## 3. Projections for the consolidated financial results for the fiscal year ending March 31, 2013 (April 1, 2012 – March 31, 2013) and the six-month period ending September 30, 2012 (April 1, 2012 – September 30, 2012) (In millions of yen)

|                                               | Six-month period ending<br>September 30, 2012 | Year ending<br>March 31, 2013 |
|-----------------------------------------------|-----------------------------------------------|-------------------------------|
| Projected revenue                             | 357,400<br>12.0%                              | 738,900<br>8.8%               |
| Projected operating profit                    | 49,100<br>0.4%                                | 103,100<br>27.2%              |
| Projected ordinary profit                     | 52,000<br>0.6%                                | 106,000<br>20.7%              |
| Projected net income                          | 31,600<br>12.9%                               | 62,200<br>75.3%               |
| Projected basic net income per share (in yen) | 144.77                                        | 284.97                        |

Note 1: The projected basic net income per share is calculated based on the number of common shares outstanding, excluding treasury stock, as of March 31, 2012.

Note 2: Percentage figures represent changes from the results of the corresponding periods of the previous year.

Note

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries accompanied with changes in scope of consolidation): Applicable

Newly consolidated: None

Excluded from consolidation: One (Secom Techno Service Co., Ltd.)

- (2) Changes in accounting policies, accounting estimates and/or restatements:

Changes in accounting policies associated with amendment of accounting standards: None

Other changes in accounting policies: None

Changes in accounting estimates: None

Restatements: None

- (3) Number of common shares outstanding:

Number of common shares outstanding, including treasury stock, as of:

March 31, 2012: 233,288,717 shares

March 31, 2011: 233,288,717 shares

Number of shares of treasury stock as of:

March 31, 2012: 15,017,691 shares

March 31, 2011: 15,258,553 shares

Number of average common shares outstanding over:

The year ended March 31, 2012: 218,217,386 shares

The year ended March 31, 2011: 218,032,360 shares

**[Reference] Summary of nonconsolidated results**

1. Nonconsolidated financial results for the fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

- (1) Nonconsolidated operating results

(In millions of yen, figures rounded down)

|                                       | Years ended March 31 |                   |
|---------------------------------------|----------------------|-------------------|
|                                       | 2011                 | 2012              |
| Revenue                               | 329,297<br>0.2%      | 345,476<br>4.9%   |
| Operating profit                      | 68,688<br>(4.0%)     | 70,196<br>2.2%    |
| Ordinary profit                       | 74,501<br>(3.8%)     | 75,212<br>1.0%    |
| Net income                            | 45,023<br>(1.7%)     | 26,818<br>(40.4%) |
| Basic net income per share (in yen)   | 206.50               | 122.90            |
| Diluted net income per share (in yen) |                      |                   |

Note: Percentage figures represent changes from the results of the previous year.

(2) Nonconsolidated financial positions

(In millions of yen, figures rounded down)

|                               | March 31, 2011 | March 31, 2012 |
|-------------------------------|----------------|----------------|
| Total assets                  | 694,656        | 699,448        |
| Net assets                    | 558,417        | 567,758        |
| Equity ratio                  | 80.4%          | 81.2%          |
| Net assets per share (in yen) | 2,561.19       | 2,601.16       |

Note: Equity as of:

March 31, 2012: JPY 567,758 million

March 31, 2011: JPY 558,417 million

2. Projections for the nonconsolidated financial results for the fiscal year ending March 31, 2013 (April 1, 2012 – March 31, 2013) and the six-month period ending September 30, 2012 (April 1, 2012 – September 30, 2012)

(In millions of yen)

|                                                  | Six-month period ending<br>September 30, 2012 | Year ending<br>March 31, 2013 |
|--------------------------------------------------|-----------------------------------------------|-------------------------------|
| Projected revenue                                | 173,200<br>3.9%                               | 352,300<br>2.0%               |
| Projected ordinary profit                        | 39,600<br>0.4%                                | 75,400<br>0.2%                |
| Projected net income                             | 25,900<br>(45.7%)                             | 48,300<br>80.1%               |
| Projected basic net income per<br>share (in yen) | 118.66                                        | 221.28                        |

**Note on status of audit procedures**

This report is excluded from the scope of audit procedures pursuant to the Financial Instruments and Exchange Act. Audit procedures for financial statements have not been completed at the time of disclosure of this report.

**Note on appropriate use of projections for the financial results; other special items:**

The forward-looking statements including the future performance described in this document are provided based on both all information available at this moment and definite rational assumptions. Actual performance may differ materially from the forward-looking statements due to various factors hereafter occurred.

For matters regarding assumptions on financial projections and notes for the use of financial projections, please refer to “1. Operating Results (1) Analysis on Operating Results” on page 2 to 5 in the appendices.

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## 1. Operating Results

### (1) Analysis on Operating Results

During the fiscal year ended March 31, 2012 (“the current fiscal year”), whereas Japanese economy has indicated signs of gradual recovery from temporal economic retention caused by the Great East Japan Earthquake, future of Japanese economy still seems unpredictable owing to European credit concern, rise in oil price, appreciation of Japanese yen, deflation, etc.

In this environment, we have been continuously trying to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind, with the aim of realizing our vision of the establishment of “Social System Industry”, a society where everyone can live safe and secure anytime and anywhere. To this end, we have made efforts to develop and provide high-grade products and services suited to customer needs in our security services segment, as well as in our fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services segments. In addition, aiming at our further growth, we enhanced “ALL SECOM,” the combination of all SECOM Group’s power to promote our synergies even more, with all segments standing on their own and promoting mutual cooperation.

In the security services segment, we provided customers chiefly with commercial and residential security services (on-line security systems), as well as static guard services, armored car services and merchandises. In the current fiscal year, we developed and dealt in systems and products, including “SECOM Home Security G-Custom,” which has not merely a function to be entrusted with essential private information of customers, etc., reflecting the experience of the Great East Japan Earthquake, but also “My Page” function to promote relationship between business partners and customers. Also, we reinforced sales of security systems for rental housing, as well as reviewed door-to-door sales promotion thoroughly. Additionally, we enriched services integrated with all Group’s power, starting services to keep an eye on the aged living remote from customers, by combining on-line security services with medical services and home services. Furthermore, we changed organizational management systems to provide services suited to customer needs, including the absorption-type merger of Secom Techno Service Co., Ltd., a consolidated subsidiary engaged in installation and maintenance of on-line security systems, etc., in July 2011, in order to make security services more efficient.

Outside Japan, through acquisition of local companies, we extended into New Zealand and enhanced security services for financial institutions in the United Kingdom. We also promoted to make our security services more popular in economically developing areas, including People’s Republic of China, Southeast Asia, etc.

As a result, revenue increased by 2.3% to 424.2 billion yen and operating profit increased by 2.1% to 100.6 billion yen.

In the fire protection services segment, we provided a broad range of fire protection systems such as high-quality fire alarm systems and fire extinguishing systems along with customers’ needs to a wide variety of facilities such as office buildings, production facilities, tunnels, cultural properties, ships and residences.

Owing to the efforts of proactive business activities and improvement in profitability to satisfy market needs, despite the severe business environment, revenue increased by 7.3% to 80.6 billion yen and operating profit increased by 43.0% to 4.3 billion yen.

In the medical services segment, we provided various medical services such as our core home medical services, including home nursing services and pharmaceutical dispensing and home delivery services, operation of residences for seniors, sales of electronic medical report systems, sales of medical equipments, personal care services, and the leasing of real estate for medical institutions. In the current fiscal year, we strived to increase the number of residents in the residences for seniors opened in recent years and enriched medical services to accommodate ourselves to changes in society, by expanding various services for seniors, including increase in hubs that offer visiting care services as well as establishing some hubs that provide integrally both home nursing services and home care services, etc. Revenue increased by 7.4% to 42.9 billion yen and operating profit increased by 47.4% to 4.0 billion yen. These results were attributable to brisk revenue from home medical services.

In the insurance services segment, we expanded marketing efforts for our unique non-life insurance offerings, including Security Discount Fire Policy for commercial facilities that offers discounts on premiums to customers who have installed on-line security systems, recognizing such systems as a risk-mitigating factor; SECOM *Anshin My Home*, the comprehensive fire insurance policy for residences that offers a variety of compensation plans and discount policies; SECOM *Anshin My Car*, a comprehensive automobile insurance policy that offers on-site support services provided by our emergency response personnel in the event of an accident; and MEDCOM, an unrestricted cancer treatment policy that offers compensation of actual cost of medical treatment.

Strong sales increased revenue by 6.7% to 34.1 billion yen and operating loss of 0.9 billion yen in the previous fiscal year turned into operating profit of 47 million yen in the current fiscal year.

In the geographic information services segment, by exploiting up-to-date measuring machine and technologies, we provided geospatial data services for domestic national and local governmental agencies, private sectors, and foreign governmental agencies including emerging and developing countries. By collecting high-precision and clear geospatial photo data such as satellite images, and utilizing our data processing technologies, we also strived to provide a variety of services suited to our customers' needs, including mapping arrangement, environmental monitoring, fire protection, and measures to deal with natural calamities.

Just after the Great East Japan Earthquake, by utilizing several satellites, we quickly provided Japanese government and related institutions with a variety of information related to widespread destruction caused by the Great East Japan Earthquake.

Revenue increased by 15.2% to 50.1 billion yen owing to the contribution of a subsidiary newly consolidated in December 2010. Operating profit also increased by 7.4% to 3.5 billion yen.

In the real estate development and sales segment, we devoted our best efforts to developing and selling condominiums equipped with advanced security and disaster prevention systems.

In the current fiscal year, since demand in the condominium market had not fully recovered, revenue went down by 52.8% to 11.7 billion yen and we recognized write-down on real estate inventories, including work in process for real estate inventories, of 20.7 billion yen in costs of revenue. As a result, operating profit of 0.4 billion yen turned into operating loss of 21.4 billion yen in the current fiscal year.

The information and communication related and other services segment covers information and communication related services and real estate leasing, etc. In the information and communication

related services, we have continued striving to provide comprehensive information network services, focusing on information security, development and management of business systems and major-disaster response services. In the current fiscal year, we began to deal in “Risk Management Support Total Service,” which is to support for BCP (Business Continuity Plan) of clients when they encounter with contingency, by utilizing our entire Group’s power.

Revenue increased by 4.9% to 35.2 billion yen, due chiefly to the increase in sales of information and communication related services, including those of Secure Data Center, and operating profit increased by 19.5% to 4.1 billion yen.

As a result, consolidated revenue for the current fiscal year increased by 2.3% to 679.1 billion yen, compared with the previous fiscal year. Consolidated operating profit, on the other hand, decreased by 18.2% to 81.0 billion yen, attributable to the recognition of write-down on real estate inventories, including work in process for real estate inventories, of 20.7 billion yen; and consolidated ordinary profit also went down by 19.9% to 87.8 billion yen. Net income went down by 41.7% to 35.4 billion yen, due to impairment loss for fixed assets of 8.1 billion yen, settlement regarding software related expense in Pasco Corporation of 0.7 billion yen, etc., recognized in extraordinary losses.

(Projections for the fiscal year ending March 31, 2013)

Japanese economy is expected to continue its gradual recovery, although it is still expected to remain uncertain due to downturn in overseas economy caused by European credit concern, appreciation of Japanese yen, rise in oil price, etc. Under this situation, we will attempt to put new services and products on the market by utilizing our unique technologies in our main security segment and promote to reinforce sales activities still more to swiftly accommodate ourselves to diversified and sophisticated customer needs. In addition, since SECOM will celebrate its 50<sup>th</sup> anniversary in July 2012, we will advance synergy among all our segments, by enhancing “ALL SECOM,” the combination of all SECOM Group’s power, to actively develop and promote our services and products.

In projections for the consolidated financial results for the fiscal year ending March 31, 2013, it is expected to record 1.0% increase to 428.6 billion yen in the security services segment, 40.4% increase to 113.3 billion yen in the fire protection services segment, 6.2% increase to 45.6 billion yen in the medical services segment, 0.4% increase to 34.3 billion yen in the insurance services segment, 0.7% increase to 50.5 billion yen in the geographic information services segment, 127.7% increase to 26.7 billion yen in the real estate development and sales segment and 13.2% increase to 39.9 billion yen in the information and communication related and other services segment.

Consolidated operating profit is expected to increase by 27.2% to 103.1 billion yen and consolidated ordinary profit is expected to increase by 20.7% to 106.0 billion yen. Consolidated net income is expected to increase by 75.3% to 62.2 billion yen. These financial projections include those of Nittan Co., Ltd., 100% of whose common shares outstanding were acquired by SECOM on April 1, 2012 in the fire protection services segment.



(Consolidated financial results)

(In billions of yen)

|                                     | Year ended<br>March 31, 2011 | Year ended<br>March 31, 2012 | Year ending<br>March 31, 2013 |
|-------------------------------------|------------------------------|------------------------------|-------------------------------|
| Revenue                             | 663.8                        | 679.1                        | 738.9                         |
| Change from the previous year       | +1.4%                        | +2.3%                        | +8.8%                         |
| Operating profit                    | 99.1                         | 81.0                         | 103.1                         |
| Change from the previous year       | +0.6%                        | (18.2%)                      | +27.2%                        |
| Ordinary profit                     | 109.6                        | 87.8                         | 106.0                         |
| Change from the previous year       | +11.5%                       | (19.9%)                      | +20.7                         |
| Net income                          | 60.8                         | 35.4                         | 62.2                          |
| Change from the previous year       | +27.8%                       | (41.7%)                      | +75.3%                        |
| Basic net income per share (in yen) | 279.07                       | 162.63                       | 284.97                        |

## (2) Analysis on Financial Positions

### (i) Assets, Liabilities and Net Assets

Total assets as of March 31, 2012 amounted to 1,101.8 billion yen, 0.7% or 7.4 billion yen higher than at the end of the previous fiscal year. Total current assets, at 503.4 billion yen, were up 3.5% or 17.1 billion yen. This was largely attributable to increases in short-term investments by 12.6 billion yen to 19.9 billion yen due to transfers from investment securities, etc., notes and accounts receivable, trade by 15.9% or 11.7 billion yen to 85.7 billion yen, and cash on hand and in banks by 5.5% or 9.4 billion yen to 182.4 billion yen, despite decrease in work in process for real estate inventories by 31.1% or 15.0 billion yen to 33.2 billion yen. Total fixed assets, at 598.3 billion yen, were down 1.6% or 9.6 billion yen. This was mainly attributable to decreases in investment securities by 5.5% or 10.3 billion yen to 177.6 billion yen due to transfers to short-term investments, etc., deferred income taxes by 26.4% or 5.3 billion yen to 14.7 billion yen, and long-term loans receivable by 2.9% or 1.3 billion yen to 46.1 billion yen, despite increase in tangible assets by 2.8% or 8.0 billion yen to 290.7 billion yen.

Total liabilities amounted to 430.3 billion yen, 2.3% or 9.9 billion yen lower than at the end of the previous fiscal year. Total current liabilities amounted to 215.7 billion yen, up 6.8% or 13.7 billion yen, owing to increases in notes and accounts payable, trade by 18.4% or 4.7 billion yen to 30.7 billion yen, payables - other by 20.9% or 4.7 billion yen to 27.6 billion yen, current portion of straight bonds by 3.0 billion yen to 5.9 billion yen, and other current liabilities, including deposits received, by 7.4% or 2.4 billion yen to 35.9 billion yen, despite decrease in accrued income taxes by 24.1% or 4.6 billion yen to 14.6 billion yen. Long-term liabilities decreased by 9.9% or 23.6 billion yen to 214.5 billion yen, compared to at the end of the previous fiscal year. This was mainly attributable to decreases in long-term loans by 50.4% or 10.8 billion yen to 10.7 billion yen, investment deposits by policyholders, unearned premiums and other insurance liabilities by 5.7% or 7.6 billion yen to 127.8 billion yen, and straight bonds by 31.7% or 4.4 billion yen to 9.6 billion yen.

Total net assets amounted to 671.5 billion yen, 2.7% or 17.4 billion yen higher than at the end of the previous fiscal year, due to increase in retained earnings by 2.8% or 15.5 billion yen, unrealized gains on securities by 2.3 billion yen, and minority interests in subsidiaries by 2.7% or 1.6 billion yen, despite increase of losses in foreign currency translation adjustments by 9.9% or 3.3 billion yen.

**(ii) Cash Flows**

Cash and cash equivalents (“cash”) for the current fiscal year are as follows:

(In millions of yen)

|                                                              | Year ended<br>March 31, 2011 | Year ended<br>March 31, 2012 | Increase<br>(Decrease) |
|--------------------------------------------------------------|------------------------------|------------------------------|------------------------|
| Cash flows from operating activities                         | 85,292                       | 93,071                       | 7,778                  |
| Cash flows from investing activities                         | (57,617)                     | (41,614)                     | 16,003                 |
| Cash flows from financing activities                         | (17,716)                     | (33,846)                     | (16,130)               |
| Effect of exchange rate changes on cash and cash equivalents | (566)                        | (422)                        | 144                    |
| Net increase (decrease) in cash and cash equivalents         | 9,392                        | 17,188                       | 7,795                  |
| Cash and cash equivalents at beginning of the period         | 178,781                      | 188,174                      | 9,392                  |
| Cash and cash equivalents at end of the period               | 188,174                      | 205,362                      | 17,188                 |

**(Cash flows from operating activities)**

Net cash provided by operating activities for the current fiscal year amounted to 93.0 billion yen; 85.2 billion yen in the previous fiscal year. Major factors of cash increase were income before income taxes of 76.5 billion yen, depreciation and amortization of 38.9 billion yen, and write-down on real estate inventories of 20.7 billion yen. Major factors of cash decrease were income taxes paid of 36.8 billion yen and increase in notes and accounts receivable, trade, and due from subscribers of 13.9 billion yen.

**(Cash flows from investing activities)**

Net cash used in investing activities was 41.6 billion yen; 57.6 billion yen in the previous fiscal year. Major factors of cash decrease were payments for purchases of investment securities of 66.2 billion yen, payments for purchase of tangible assets, including security equipment and control stations, of 49.7 billion yen, payments for purchase of intangible assets of 5.5 billion yen. Major factors of cash increase were proceeds from sales and redemptions of investment securities of 73.6 billion yen and decrease in time deposits, net of 9.2 billion yen.

**(Cash flows from financing activities)**

Net cash used in financing activities amounted to 33.8 billion yen; 17.7 billion yen in the previous fiscal year. Major factors of cash decrease were dividends paid of 19.6 billion yen, decrease in bank loans, net of 7.3 billion yen, repayments of long-term loans of 3.2 billion yen, payments for redemption of straight bonds of 2.9 billion yen, and dividends paid for minority shareholders of 1.8 billion yen. Major factor of cash increase was proceeds from issuance of straight bonds of 1.4 billion yen.

As a result, cash and cash equivalents as of March 31, 2012 were 205.3 billion yen, 17.1 billion yen higher than at the end of the previous fiscal year.

**(Reference) Trend of indices related to cash flows**

|                                                                                  | Years ended    |                |                |                |                |
|----------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                                                                  | March 31, 2008 | March 31, 2009 | March 31, 2010 | March 31, 2011 | March 31, 2012 |
| Equity ratio (%)                                                                 | 47.2           | 47.6           | 51.6           | 54.1           | 55.2           |
| Equity ratio (market price base) (%)                                             | 90.5           | 72.6           | 82.4           | 77.0           | 80.2           |
| Interest-bearing liabilities /<br>Cash flows from operating activities (in year) | 1.9            | 1.1            | 0.9            | 1.0            | 0.8            |
| Interest coverage ratio                                                          | 38.4           | 51.5           | 66.7           | 71.6           | 81.0           |

Note: Equity ratio = Equity / Total assets

Equity ratio (market price base) = Market capitalization / Total assets

Interest coverage ratio = Cash flows from operating activities / Interest paid

**(3) Basic Policy on Distribution of Surplus and Dividend Payments for the Current and Next Fiscal Year**

We consider the return of profits on a long-term basis to shareholders the most important task of the management. Management determines the consolidated dividend payout ratio and the level of internal reserves in overall consideration of the future expansion of our business and consolidated results of operations while keeping in line with the basic policy that ensures the continued and stable dividend payments. Our basic policy of distribution of surplus in the form of dividend payment is to propose annual year-end cash dividends to shareholders, and the decision of distribution of surplus is made by shareholders at the general meeting of the year. We intend to use internal reserves for investments required for increased new customer contracts, research and development and other strategic investments so as to ensure to strengthen our corporate structure and expand our business.

We have determined to propose to the Ordinary General Meeting of Shareholders that the year-end dividends (annual dividends) for the current fiscal year be 90 yen per share, the same as those for the previous fiscal year, to meet shareholders continued support.

The year-end dividends (annual dividends) for the next fiscal year are planned to be 100 yen per share.

**(4) Significant Events Regarding Assumption of Going Concern, etc.**

Not applicable.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(In millions of yen)

|                                                   | March 31, 2011   | March 31, 2012   |
|---------------------------------------------------|------------------|------------------|
| <b>ASSETS:</b>                                    |                  |                  |
| <b>Current assets:</b>                            | <b>486,284</b>   | <b>503,479</b>   |
| Cash on hand and in banks                         | 172,958          | 182,412          |
| Cash deposits for armored car services            | 56,546           | 54,011           |
| Call loans                                        | 29,500           | 28,000           |
| Notes and accounts receivable, trade              | 73,956           | 85,744           |
| Due from subscribers                              | 22,754           | 24,830           |
| Short-term investments                            | 7,313            | 19,936           |
| Lease receivables and investment in leased assets | 15,433           | 14,605           |
| Merchandises and products                         | 8,823            | 9,597            |
| Real estate inventories                           | 11,481           | 9,082            |
| Work in process                                   | 2,249            | 2,527            |
| Costs on uncompleted construction contracts       | 4,233            | 5,671            |
| Work in process for real estate inventories       | 48,296           | 33,276           |
| Raw materials and supplies                        | 5,750            | 5,950            |
| Deferred income taxes                             | 12,216           | 11,383           |
| Short-term loans receivable                       | 3,908            | 4,389            |
| Other                                             | 12,566           | 13,489           |
| Allowance for doubtful accounts                   | (1,704)          | (1,428)          |
| <b>Fixed assets:</b>                              | <b>607,998</b>   | <b>598,359</b>   |
| <b>Tangible assets:</b>                           | <b>282,715</b>   | <b>290,747</b>   |
| Buildings and improvements                        | 102,855          | 97,955           |
| Security equipment and control stations           | 63,490           | 66,900           |
| Land                                              | 97,730           | 104,426          |
| Other                                             | 18,638           | 21,464           |
| <b>Intangible assets</b>                          | <b>25,553</b>    | <b>25,043</b>    |
| <b>Investments and others:</b>                    | <b>299,729</b>   | <b>282,568</b>   |
| Investment securities                             | 188,001          | 177,655          |
| Long-term loans receivable                        | 47,576           | 46,197           |
| Prepaid pension and severance costs               | 18,730           | 19,130           |
| Deferred income taxes                             | 20,110           | 14,793           |
| Other                                             | 43,422           | 42,376           |
| Allowance for doubtful accounts                   | (18,111)         | (17,584)         |
| <b>Deferred assets</b>                            | <b>117</b>       | <b>45</b>        |
| <b>Total assets</b>                               | <b>1,094,400</b> | <b>1,101,884</b> |

**(1) Consolidated Balance Sheets (Continued)**

(In millions of yen)

|                                                                                            | March 31, 2011   | March 31, 2012   |
|--------------------------------------------------------------------------------------------|------------------|------------------|
| <b>LIABILITIES:</b>                                                                        |                  |                  |
| <b>Current liabilities:</b>                                                                | <b>202,074</b>   | <b>215,780</b>   |
| Notes and accounts payable, trade                                                          | 25,959           | 30,731           |
| Bank loans                                                                                 | 47,426           | 47,985           |
| Current portion of straight bonds                                                          | 2,914            | 5,983            |
| Lease obligations                                                                          | 354              | 354              |
| Payables - other                                                                           | 22,857           | 27,627           |
| Accrued income taxes                                                                       | 19,353           | 14,688           |
| Accrued consumption taxes                                                                  | 2,850            | 3,833            |
| Accrued expenses                                                                           | 3,792            | 4,169            |
| Deferred revenue                                                                           | 30,582           | 30,834           |
| Accrued bonuses                                                                            | 11,925           | 12,739           |
| Provision for loss on construction contracts                                               | 530              | 834              |
| Other                                                                                      | 33,527           | 35,997           |
| <b>Long-term liabilities:</b>                                                              | <b>238,270</b>   | <b>214,586</b>   |
| Straight bonds                                                                             | 14,091           | 9,625            |
| Long-term loans                                                                            | 21,586           | 10,700           |
| Lease obligations                                                                          | 3,080            | 2,884            |
| Guarantee deposits received                                                                | 38,091           | 38,235           |
| Deferred income taxes                                                                      | 8,909            | 8,415            |
| Accrued pension and severance costs                                                        | 13,097           | 12,585           |
| Accrued retirement benefits for directors<br>and corporate auditors                        | 2,433            | 2,509            |
| Investment deposits by policyholders,<br>unearned premiums and other insurance liabilities | 135,498          | 127,812          |
| Other                                                                                      | 1,481            | 1,817            |
| <b>Total liabilities</b>                                                                   | <b>440,344</b>   | <b>430,366</b>   |
| <b>NET ASSETS:</b>                                                                         |                  |                  |
| <b>Shareholders' equity:</b>                                                               | <b>624,255</b>   | <b>641,034</b>   |
| Common stock                                                                               | 66,377           | 66,377           |
| Capital surplus                                                                            | 83,054           | 83,054           |
| Retained earnings                                                                          | 549,747          | 565,261          |
| Common stock in treasury, at cost                                                          | (74,923)         | (73,659)         |
| <b>Accumulated other comprehensive income:</b>                                             | <b>(32,010)</b>  | <b>(33,026)</b>  |
| Unrealized gains (losses) on securities                                                    | 2,192            | 4,559            |
| Deferred gains (losses) on hedges                                                          | (35)             | (28)             |
| Foreign currency translation adjustments                                                   | (34,166)         | (37,556)         |
| <b>Minority interests in subsidiaries</b>                                                  | <b>61,810</b>    | <b>63,509</b>    |
| <b>Total net assets</b>                                                                    | <b>654,055</b>   | <b>671,517</b>   |
| <b>Total liabilities and net assets</b>                                                    | <b>1,094,400</b> | <b>1,101,884</b> |

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

(In millions of yen)

|                                                      | Year ended<br>March 31, 2011 | Year ended<br>March 31, 2012 |
|------------------------------------------------------|------------------------------|------------------------------|
| <b>Revenue</b>                                       | <b>663,887</b>               | <b>679,173</b>               |
| Costs of revenue                                     | 423,983                      | 458,452                      |
| Gross profit                                         | 239,904                      | 220,720                      |
| Selling, general and administrative expenses         | 140,762                      | 139,642                      |
| <b>Operating profit</b>                              | <b>99,141</b>                | <b>81,078</b>                |
| Non-operating income                                 | 17,428                       | 12,970                       |
| Non-operating expenses                               | 6,895                        | 6,209                        |
| <b>Ordinary profit</b>                               | <b>109,674</b>               | <b>87,839</b>                |
| Extraordinary profit                                 | 1,717                        | 287                          |
| Extraordinary losses                                 | 5,749                        | 11,558                       |
| <b>Income before income taxes</b>                    | <b>105,642</b>               | <b>76,567</b>                |
| Income taxes - current                               | 37,303                       | 32,023                       |
| Income taxes - deferred                              | 1,383                        | 4,600                        |
| Total income taxes                                   | 38,686                       | 36,623                       |
| Net income before minority interests in subsidiaries | 66,955                       | 39,943                       |
| Minority interests in subsidiaries                   | 6,109                        | 4,454                        |
| <b>Net income</b>                                    | <b>60,846</b>                | <b>35,489</b>                |

## Consolidated Statements of Comprehensive Income

(In millions of yen)

|                                                                                                      | Year ended<br>March 31, 2011 | Year ended<br>March 31, 2012 |
|------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| <b>Net income before minority interests in subsidiaries</b>                                          | <b>66,955</b>                | <b>39,943</b>                |
| <b>Other comprehensive income:</b>                                                                   | <b>(9,214)</b>               | <b>(1,217)</b>               |
| Unrealized gains (losses) on securities                                                              | (2,970)                      | 2,318                        |
| Deferred gains (losses) on hedges                                                                    | 16                           | 8                            |
| Foreign currency translation adjustments                                                             | (5,191)                      | (2,262)                      |
| Share of other comprehensive income of affiliated<br>companies accounted for under the equity method | (1,069)                      | (1,281)                      |
| <b>Comprehensive income</b>                                                                          | <b>57,740</b>                | <b>38,726</b>                |
| Comprehensive income attributable to:                                                                |                              |                              |
| Comprehensive income attributable to<br>owners of the parent company                                 | 52,203                       | 34,473                       |
| Comprehensive income attributable to<br>minority interests                                           | 5,537                        | 4,253                        |

### (3) Consolidated Statements of Changes in Net Assets

(In millions of yen)

|                                                  | Year ended<br>March 31, 2011 | Year ended<br>March 31, 2012 |
|--------------------------------------------------|------------------------------|------------------------------|
| <b>Shareholders' equity:</b>                     |                              |                              |
| Common stock:                                    |                              |                              |
| Balance at the beginning of the current period   | 66,377                       | 66,377                       |
| Changes during the current period:               |                              |                              |
| Total changes during the current period          | -                            | -                            |
| Balance at the end of the current period         | 66,377                       | 66,377                       |
| Capital surplus:                                 |                              |                              |
| Balance at the beginning of the current period   | 83,054                       | 83,054                       |
| Changes during the current period:               |                              |                              |
| Disposal of treasury stock                       | (0)                          | (351)                        |
| Transfer of losses on disposal of treasury stock | 0                            | 351                          |
| Total changes during the current period          | -                            | -                            |
| Balance at the end of the current period         | 83,054                       | 83,054                       |
| Retained earnings:                               |                              |                              |
| Balance at the beginning of the current period   | 507,434                      | 549,747                      |
| Changes during the current period:               |                              |                              |
| Cash dividends                                   | (18,532)                     | (19,622)                     |
| Net income                                       | 60,846                       | 35,489                       |
| Transfer of losses on disposal of treasury stock | (0)                          | (351)                        |
| Total changes during the current period          | 42,313                       | 15,514                       |
| Balance at the end of the current period         | 549,747                      | 565,261                      |
| Common stock in treasury, at cost:               |                              |                              |
| Balance at the beginning of the current period   | (74,907)                     | (74,923)                     |
| Changes during the current period:               |                              |                              |
| Purchase of treasury stock                       | (16)                         | (292)                        |
| Disposal of treasury stock                       | 0                            | 1,556                        |
| Total changes during the current period          | (16)                         | 1,263                        |
| Balance at the end of the current period         | (74,923)                     | (73,659)                     |
| Total shareholders' equity:                      |                              |                              |
| Balance at the beginning of the current period   | 581,959                      | 624,255                      |
| Changes during the current period:               |                              |                              |
| Cash dividends                                   | (18,532)                     | (19,622)                     |
| Net income                                       | 60,846                       | 35,489                       |
| Purchase of treasury stock                       | (16)                         | (292)                        |
| Disposal of treasury stock                       | 0                            | 1,204                        |
| Transfer of losses on disposal of treasury stock | -                            | -                            |
| Total changes during the current period          | 42,296                       | 16,778                       |
| Balance at the end of the current period         | 624,255                      | 641,034                      |



### (3) Consolidated Statements of Changes in Net Assets (Continued)

(In millions of yen)

|                                                      | Year ended<br>March 31, 2011 | Year ended<br>March 31, 2012 |
|------------------------------------------------------|------------------------------|------------------------------|
| <b>Accumulated other comprehensive income:</b>       |                              |                              |
| Unrealized gains (losses) on securities:             |                              |                              |
| Balance at the beginning of the current period       | 4,521                        | 2,192                        |
| Changes during the current period:                   |                              |                              |
| Net changes of items other than shareholders' equity | (2,329)                      | 2,366                        |
| Total changes during the current period              | (2,329)                      | 2,366                        |
| Balance at the end of the current period             | 2,192                        | 4,559                        |
| Deferred gains (losses) on hedges:                   |                              |                              |
| Balance at the beginning of the current period       | (17)                         | (35)                         |
| Changes during the current period:                   |                              |                              |
| Net changes of items other than shareholders' equity | (18)                         | 7                            |
| Total changes during the current period              | (18)                         | 7                            |
| Balance at the end of the current period             | (35)                         | (28)                         |
| Foreign currency translation adjustments:            |                              |                              |
| Balance at the beginning of the current period       | (27,871)                     | (34,166)                     |
| Changes during the current period:                   |                              |                              |
| Net changes of items other than shareholders' equity | (6,294)                      | (3,390)                      |
| Total changes during the current period              | (6,294)                      | (3,390)                      |
| Balance at the end of the current period             | (34,166)                     | (37,556)                     |
| Total accumulated other comprehensive income:        |                              |                              |
| Balance at the beginning of the current period       | (23,367)                     | (32,010)                     |
| Changes during the current period:                   |                              |                              |
| Net changes of items other than shareholders' equity | (8,642)                      | (1,015)                      |
| Total changes during the current period              | (8,642)                      | (1,015)                      |
| Balance at the end of the current period             | (32,010)                     | (33,026)                     |
| <b>Minority interest in subsidiaries:</b>            |                              |                              |
| Balance at the beginning of the current period       | 66,562                       | 61,810                       |
| Changes during the current period:                   |                              |                              |
| Net changes of items other than shareholders' equity | (4,752)                      | 1,699                        |
| Total changes during the current period              | (4,752)                      | 1,699                        |
| Balance at the end of the current period             | 61,810                       | 63,509                       |
| <b>Total net assets:</b>                             |                              |                              |
| Balance at the beginning of the current period       | 625,153                      | 654,055                      |
| Changes during the current period:                   |                              |                              |
| Cash dividends                                       | (18,532)                     | (19,622)                     |
| Net income                                           | 60,846                       | 35,489                       |
| Purchase of treasury stock                           | (16)                         | (292)                        |
| Disposal of treasury stock                           | 0                            | 1,204                        |
| Transfer of losses on disposal of treasury stock     | -                            | -                            |
| Net changes of items other than shareholders' equity | (13,395)                     | 683                          |
| Total changes during the current period              | 28,901                       | 17,461                       |
| Balance at the end of the current period             | 654,055                      | 671,517                      |

#### (4) Consolidated Statements of Cash Flows

|                                                                                                                   | (In millions of yen)         |                              |
|-------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
|                                                                                                                   | Year ended<br>March 31, 2011 | Year ended<br>March 31, 2012 |
| <b>Cash flows from operating activities:</b>                                                                      |                              |                              |
| Income before income taxes                                                                                        | 105,642                      | 76,567                       |
| Depreciation and amortization                                                                                     | 37,526                       | 38,992                       |
| Amortization of goodwill                                                                                          | 1,529                        | 1,640                        |
| Net (gains) losses from investment in affiliated companies<br>accounted for under the equity method               | (4,638)                      | (4,597)                      |
| Increase (decrease) in allowance for doubtful accounts                                                            | (344)                        | (384)                        |
| Increase/decrease in accrued/prepaid pension and severance costs                                                  | (736)                        | (898)                        |
| Interest and dividend income                                                                                      | (3,827)                      | (3,433)                      |
| Interest expenses                                                                                                 | 1,186                        | 1,145                        |
| Exchange (gains) losses                                                                                           | 542                          | 237                          |
| Net (gains) losses on sales and disposal of tangible assets                                                       | 1,499                        | 1,266                        |
| Impairment losses on fixed assets                                                                                 | 2                            | 8,133                        |
| Net (gains) losses on sales of investment securities                                                              | (1,054)                      | (666)                        |
| Net gains on redemptions of investment securities                                                                 | (1,453)                      | -                            |
| Net (gains) losses on revaluation of investment securities                                                        | 1,317                        | 922                          |
| Net (gains) losses on sales of investment securities in subsidiaries and affiliates                               | 954                          | -                            |
| Write-down on real estate inventories                                                                             | 1,481                        | 20,723                       |
| Net (gains) losses on private equity investment                                                                   | (5,779)                      | (2,739)                      |
| The effect of adoption of accounting standard for asset retirement obligations                                    | 1,184                        | -                            |
| (Increase) decrease in notes and accounts receivable, trade, and due from subscribers                             | (950)                        | (13,902)                     |
| (Increase) decrease in lease receivables and investment in leased assets                                          | (177)                        | 291                          |
| (Increase) decrease in inventories                                                                                | 14,746                       | (3,884)                      |
| Increase (decrease) in accounts payable                                                                           | 443                          | 9,520                        |
| Increase (decrease) in deferred revenue                                                                           | (3,204)                      | 469                          |
| Increase (decrease) in investment deposits<br>by policyholders, unearned premiums and other insurance liabilities | (14,681)                     | (7,685)                      |
| Increase/decrease in cash deposits/deposits received for armored car services                                     | (10,815)                     | 3,796                        |
| Other                                                                                                             | (362)                        | (164)                        |
| <b>Subtotal</b>                                                                                                   | <b>120,028</b>               | <b>125,350</b>               |
| Interest and dividend received                                                                                    | 6,819                        | 6,494                        |
| Interest paid                                                                                                     | (1,192)                      | (1,149)                      |
| Income taxes paid                                                                                                 | (38,592)                     | (36,823)                     |
| Payments for settlement                                                                                           | (1,770)                      | (799)                        |
| <b>Net cash provided by (used in) operating activities</b>                                                        | <b>85,292</b>                | <b>93,071</b>                |
| <b>Cash flows from investing activities:</b>                                                                      |                              |                              |
| (Increase) decrease in time deposits, net                                                                         | (9,636)                      | 9,232                        |
| (Increase) decrease in short-term investments, net                                                                | (130)                        | (4,357)                      |
| Payments for purchases of tangible assets                                                                         | (38,801)                     | (49,769)                     |
| Proceeds from sales of tangible assets                                                                            | 779                          | 163                          |
| Payments for purchases of intangible assets                                                                       | (4,647)                      | (5,514)                      |
| Payments for purchases of investment securities                                                                   | (32,162)                     | (66,283)                     |
| Proceeds from sales and redemptions of investment securities                                                      | 35,383                       | 73,693                       |
| Payments for acquisitions of subsidiaries                                                                         | (13,702)                     | (465)                        |
| Proceeds from sales of investment securities in subsidiaries and affiliates                                       | 5,054                        | -                            |
| (Increase) decrease in short-term loans receivable, net                                                           | 217                          | (1,676)                      |
| Payments for long-term loans receivable                                                                           | (1,826)                      | (3,380)                      |
| Proceeds from long-term loans receivable                                                                          | 3,182                        | 5,425                        |
| Acquisitions of subsidiaries accompanied with changes in scope of consolidation                                   | (1,808)                      | (1,275)                      |
| Other                                                                                                             | 482                          | 2,593                        |
| <b>Net cash provided by (used in) investing activities</b>                                                        | <b>(57,617)</b>              | <b>(41,614)</b>              |
| <b>Cash flows from financing activities:</b>                                                                      |                              |                              |
| Increase (decrease) in bank loans, net                                                                            | 1,569                        | (7,334)                      |
| Proceeds from long-term loans                                                                                     | 7,290                        | 146                          |
| Repayments of long-term loans                                                                                     | (4,036)                      | (3,231)                      |
| Repayments of lease obligations                                                                                   | (406)                        | (366)                        |
| Proceeds from issuance of straight bonds                                                                          | -                            | 1,495                        |
| Payments for redemption of straight bonds                                                                         | (1,761)                      | (2,914)                      |
| Proceeds from stock issuance to minority shareholders                                                             | -                            | 123                          |
| Dividends paid                                                                                                    | (18,532)                     | (19,622)                     |
| Dividends paid for minority shareholders                                                                          | (1,821)                      | (1,851)                      |
| (Increase) decrease in treasury stocks, net                                                                       | (16)                         | (292)                        |
| <b>Net cash provided by (used in) financing activities</b>                                                        | <b>(17,716)</b>              | <b>(33,846)</b>              |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                               | <b>(566)</b>                 | <b>(422)</b>                 |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                                       | <b>9,392</b>                 | <b>17,188</b>                |
| <b>Cash and cash equivalents at beginning of the period</b>                                                       | <b>178,781</b>               | <b>188,174</b>               |
| <b>Cash and cash equivalents at end of the period</b>                                                             | <b>188,174</b>               | <b>205,362</b>               |

## **(5) Notes Regarding the Assumption of Going Concern**

Not applicable

## **(6) Segment Information, etc.**

### **[Segment Information]**

#### 1. Summary of Reportable Segments

The reportable segments of SECOM CO., LTD. and its subsidiaries (collectively “the Company”) are segments, based on the Company’s components, for which separate financial information is available and operating results are regularly reviewed by the Board of Directors for the decision of resource allocation and performance evaluation.

The Company plans and decides group strategies, allocates resources and evaluates performance for those segments, which are “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 (“information and communication related services”, “real estate leasing” and “hotel businesses”, etc.).

Accordingly, the Company considers these six segments – “security services”, “fire protection services”, “medical services”, “insurance services”, “geographic information services” and “real estate development and sales” – as reportable segments. Principal services and products of each reportable segment are as follows.

“Security services” segment offers comprehensive security services which provide customers with security and peace of mind, including core centralized security systems (on-line security systems) for commercial and residential premises. “Fire protection services” segment provides a variety of fire protection systems such as fire alarm systems and fire extinguishing systems to office buildings, plants, tunnels, cultural properties, ships and residences. “Medical services” segment provides a variety of medical services such as core home medical services including home nursing services and pharmaceutical services, operation of residence for seniors, electronic medical reports, real estate leasing for medical institutions, and sales of medical equipment. “Insurance services” segment develops and markets unique insurance policies that take installation of security systems as a risk-mitigating factor, and insurance policies to overcome cancer by having the best cancer treatments, etc. “Geographic information services” segment provides geospatial information services for national, local and overseas governmental agencies. “Real estate development and sales” segment develops and markets condominiums focusing on security and disaster preventions.

#### 2. Calculation Method Used for Determining Revenue, Profit or loss, Assets and Other Items of Reportable Segments

Profits of reportable segments are based on operating income. Intersegment revenue and transfers are determined based on actual market pricing.

### 3. Information about Amounts of Revenue, Profits or Loss, Assets and Other Items of Reportable Segments

**Year ended March 31, 2011**

(In millions of yen)

|                                            | Reportable segments |                          |                  |                    |                                 |
|--------------------------------------------|---------------------|--------------------------|------------------|--------------------|---------------------------------|
|                                            | Security services   | Fire protection services | Medical services | Insurance services | Geographic information services |
| Revenue:                                   |                     |                          |                  |                    |                                 |
| Customers                                  | 414,745             | 75,176                   | 39,967           | 32,030             | 43,539                          |
| Intersegment                               | 9,408               | 4,886                    | 150              | 2,634              | 167                             |
| Subtotal                                   | 424,154             | 80,063                   | 40,117           | 34,665             | 43,706                          |
| Segment profit (loss)                      | 98,575              | 3,055                    | 2,722            | (977)              | 3,343                           |
| Segment assets                             | 564,870             | 77,943                   | 123,897          | 167,409            | 53,740                          |
| Other items                                |                     |                          |                  |                    |                                 |
| Depreciation and amortization              | 28,813              | 1,387                    | 2,367            | 1,856              | 1,403                           |
| Amortization of goodwill                   | 376                 | 28                       | 775              | 85                 | 121                             |
| Impairment losses on fixed assets          | -                   | -                        | -                | -                  | 2                               |
| Increase in tangible and intangible assets | 29,882              | 4,011                    | 2,899            | 1,048              | 3,108                           |

(In millions of yen)

|                                            | Reportable segments               |           | Information and communication related and others (Note 1) | Total     | Adjustment (Note 2) | Amount on consolidated financial statements (Note 3) |
|--------------------------------------------|-----------------------------------|-----------|-----------------------------------------------------------|-----------|---------------------|------------------------------------------------------|
|                                            | Real estate development and sales | Subtotal  |                                                           |           |                     |                                                      |
| Revenue:                                   |                                   |           |                                                           |           |                     |                                                      |
| Customers                                  | 24,816                            | 630,275   | 33,612                                                    | 663,887   | -                   | 663,887                                              |
| Intersegment                               | 95                                | 17,343    | 6,363                                                     | 23,706    | (23,706)            | -                                                    |
| Subtotal                                   | 24,911                            | 647,618   | 39,975                                                    | 687,594   | (23,706)            | 663,887                                              |
| Segment profit (loss)                      | 444                               | 107,162   | 3,483                                                     | 110,646   | (11,504)            | 99,141                                               |
| Segment assets                             | 62,499                            | 1,050,360 | 143,284                                                   | 1,193,645 | (99,245)            | 1,094,400                                            |
| Other items                                |                                   |           |                                                           |           |                     |                                                      |
| Depreciation and amortization              | 43                                | 35,871    | 2,264                                                     | 38,135    | (608)               | 37,526                                               |
| Amortization of goodwill                   | -                                 | 1,387     | 142                                                       | 1,529     | -                   | 1,529                                                |
| Impairment losses on fixed assets          | -                                 | 2         | -                                                         | 2         | -                   | 2                                                    |
| Increase in tangible and intangible assets | 18                                | 40,969    | 3,479                                                     | 44,449    | (527)               | 43,921                                               |

Note 1: Information and communication related and others is an operating segment not included in

reportable segments, and comprises information and communication related services, real estate leasing and hotel businesses, etc.

Note 2: Adjustment of segment profit/loss includes intersegment eliminations of (20) million yen and corporate expenses not allocated to each reportable segment of 11,525 million yen. Major components of corporate expenses are expenses regarding planning, personnel and administrative departments of the Company's headquarters, etc.

Adjustment of segment assets includes intersegment elimination of (244,919) million yen and corporate assets not belonging to each reportable segment of 145,673 million yen. Major components of corporate assets are cash on hand and in banks, loans, short-term investments and investment securities of the Company.

Adjustment of depreciation includes intersegment elimination of (827) million yen and depreciation of corporate assets not belonging to each reportable segment of 218 million yen. Adjustment of increase in tangible and intangible assets includes intersegment elimination of (668) million yen and capital investments of software, etc. not belonging to each reportable segment of 140 million yen.

Note 3: Segment profit/loss is adjusted to operating profit in the consolidated statements of income.

### Year ended March 31, 2012

(In millions of yen)

|                                            | Reportable segments |                          |                  |                    |                                 |
|--------------------------------------------|---------------------|--------------------------|------------------|--------------------|---------------------------------|
|                                            | Security services   | Fire protection services | Medical services | Insurance services | Geographic information services |
| Revenue:                                   |                     |                          |                  |                    |                                 |
| Customers                                  | 424,223             | 80,677                   | 42,942           | 34,173             | 50,173                          |
| Intersegment                               | 10,387              | 4,092                    | 147              | 2,750              | 215                             |
| Subtotal                                   | 434,610             | 84,770                   | 43,090           | 36,923             | 50,388                          |
| Segment profit (loss)                      | 100,684             | 4,367                    | 4,013            | 47                 | 3,591                           |
| Segment assets                             | 578,633             | 83,860                   | 126,324          | 160,790            | 61,381                          |
| Other items                                |                     |                          |                  |                    |                                 |
| Depreciation and amortization              | 29,351              | 1,862                    | 2,480            | 1,726              | 1,750                           |
| Amortization of goodwill                   | 940                 | 29                       | 410              | 69                 | 83                              |
| Impairment losses on fixed assets          | -                   | 47                       | -                | -                  | 18                              |
| Increase in tangible and intangible assets | 36,886              | 1,042                    | 1,665            | 633                | 3,857                           |

(In millions of yen)

|                                            | Reportable segments               |           | Information and communication related and others (Note 1) | Total     | Adjustment (Note 2) | Amount on consolidated financial statements (Note 3) |
|--------------------------------------------|-----------------------------------|-----------|-----------------------------------------------------------|-----------|---------------------|------------------------------------------------------|
|                                            | Real estate development and sales | Subtotal  |                                                           |           |                     |                                                      |
| Revenue:                                   |                                   |           |                                                           |           |                     |                                                      |
| Customers                                  | 11,724                            | 643,914   | 35,258                                                    | 679,173   | -                   | 679,173                                              |
| Intersegment                               | 525                               | 18,119    | 6,599                                                     | 24,718    | (24,718)            | -                                                    |
| Subtotal                                   | 12,250                            | 662,034   | 41,857                                                    | 703,892   | (24,718)            | 679,173                                              |
| Segment profit (loss)                      | (21,461)                          | 91,243    | 4,163                                                     | 95,406    | (14,328)            | 81,078                                               |
| Segment assets                             | 45,210                            | 1,056,199 | 130,564                                                   | 1,186,764 | (84,880)            | 1,101,884                                            |
| Other items                                |                                   |           |                                                           |           |                     |                                                      |
| Depreciation and amortization              | 41                                | 37,212    | 2,393                                                     | 39,605    | (613)               | 38,992                                               |
| Amortization of goodwill                   | -                                 | 1,533     | 106                                                       | 1,640     | -                   | 1,640                                                |
| Impairment losses on fixed assets          | -                                 | 66        | 8,067                                                     | 8,133     | -                   | 8,133                                                |
| Increase in tangible and intangible assets | 18                                | 44,104    | 12,949                                                    | 57,053    | (650)               | 56,402                                               |

Note 1: Information and communication related and others is an operating segment not included in reportable segments, and comprises information and communication related services, real estate leasing and hotel businesses, etc.

Note 2: Adjustment of segment profit/loss includes intersegment eliminations of 1,704 million yen and corporate expenses not allocated to each reportable segment of 12,623 million yen. Major components of corporate expenses are expenses regarding planning, personnel and administrative departments of the Company's headquarters, etc.

Adjustment of segment assets includes intersegment elimination of (224,210) million yen and corporate assets not belonging to each reportable segment of 139,330 million yen. Major components of corporate assets are cash on hand and in banks, loans, short-term investments and investment securities of the Company.

Adjustment of depreciation includes intersegment elimination of (886) million yen and depreciation of corporate assets not belonging to each reportable segment of 273 million yen.

Adjustment of increase in tangible and intangible assets includes intersegment elimination of (867) million yen and capital investments of software, etc. not belonging to each reportable segment of 216 million yen.

Note 3: Segment profit/loss is adjusted to operating profit in the consolidated statements of income.

### [Related Information]

#### Year Ended March 31, 2011

##### 1. Information by Products and Services

Information is omitted as similar information is disclosed in Segment Information.

## 2. Information by Regions

### (1) Revenue

(In millions of yen)

| Japan   | Others | Total   |
|---------|--------|---------|
| 638,401 | 25,486 | 663,887 |

Note: Revenues were divided into countries or areas based on customer locations.

### (2) Tangible Assets

(In millions of yen)

| Japan   | Others | Total   |
|---------|--------|---------|
| 278,445 | 4,270  | 282,715 |

## 3. Information of Major Customers

Information is omitted as there is no single customer with over 10% of total revenue in the consolidated statements of income.

## Year Ended March 31, 2012

### 1. Information by Products and Services

Information is omitted as similar information is disclosed in Segment Information.

### 2. Information by Regions

#### (1) Revenue

(In millions of yen)

| Japan   | Others | Total   |
|---------|--------|---------|
| 650,418 | 28,754 | 679,173 |

Note: Revenues were divided into countries or areas based on customer locations.

#### (2) Tangible Assets

(In millions of yen)

| Japan   | Others | Total   |
|---------|--------|---------|
| 285,586 | 5,161  | 290,747 |

### 3. Information of Major Customers

Information is omitted as there is no single customer with over 10% of total revenue in the consolidated statements of income.

## (7) Notes to Business Combination

Transactions under Common Control, etc.

### 1. Name and Business Description of Company Subject to Business Combination, Date of Business Combination, Legal Form of Business Combination, Name of Company Subsequent to Combination and Outline of Transaction Including Its Purpose

#### (1) Name and Business Description of Company Subject to Business Combination

##### (i) Company Subject to Business Combination

Secom Techno Service Co., Ltd. (hereinafter "Secom Techno")

##### (ii) Business Description

Installation of on-line security systems, maintenance of building equipment, design to installation and

maintenance of various architectural equipment and sales and installation of security systems for condominiums

(2) Date of Business Combination

July 1, 2011

(3) Legal Form of Business Combination

SECOM CO., LTD. (hereinafter "SECOM") absorbed Secom Techno and became the surviving company; Secom Techno was subsequently dissolved.

(4) Name of Company Subsequent to Combination

There was no change in the name of the company subsequent to business combination.

(5) Outline of Transaction Including Its Purpose

For the purpose of increasing the corporate values of the entire SECOM Group by accelerating the Group's efforts to establish "Social System Industry" through maximization of synergy, which was achieved by means of operational integration with Secom Techno.

2. Outline of Accounting Treatment

Pursuant to "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Guidance No. 10, revised on December 26, 2008), the transaction was accounted for as a transaction under common control.

3. Acquisition Cost of Company Subject to Business Combination and Breakdown Thereof

Consideration for Acquisition

Fair value of common stock of SECOM

delivered on the date of business combination 1,204 million yen

Costs Directly Associated with Acquisition

Advisory fees etc. 43 million yen

---

Acquisition Cost 1,247 million yen

4. Merger Ratio for Each Share Classes, the Calculation Method, and the Number of Shares Delivered

(1) Share classes and merger ratio

|                              |             |
|------------------------------|-------------|
| Common stock of Secom Techno | 1 share     |
| Common stock of SECOM        | 0.85 shares |

(2) The calculation method

SECOM and Secom Techno referred to and carefully reviewed the calculation results for the merger ratio submitted by their respective financial advisors, consulted with each other and decided the merger ratio.

(3) The number of shares delivered

316,909 shares



## 5. Amount of Goodwill, Cause of Goodwill, Amortization Method and Period

### (1) Amount of Goodwill

406 million yen

### (2) Cause of Goodwill

The goodwill is attributable to the fair value of common stock of SECOM delivered by the merger exceeding the decrease in minority interest caused by the merger.

### (3) Amortization Method and Period

Amortization by the straight-line method over a 10-year period

## **(8) Significant Subsequent Events**

On January 10, 2012, SECOM CO., LTD. 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. As a result of the share acquisition, LIXIL NITTAN Co., Ltd. became a consolidated subsidiary of SECOM, and changed its name to Nittan Co., Ltd.

### 1. Purpose of Acquisition

- (1) To enhance the fire protection services, including flexible response to environmental changes, such as change of awareness for disaster prevention due to the Great East Japan Earthquake (domestic) and increasing demand for disaster prevention in emerging countries (overseas).
- (2) Research and development of next-generation systems for disaster prevention

### 2. Counterparty of Acquisition

LIXIL Corporation

### 3. Outline of the Company Acquired (Affiliated)

- (1) Company Name: LIXIL NITTAN Co., Ltd. (changed its name to Nittan Co., Ltd.)
- (2) Business: Installation, sales, maintenance and check-up of various fire extinguishers
- (3) Size: Capital 2,302 million yen

### 4. Date of Acquisition

April 1, 2012

### 5. Number of Shares Transferred, Acquisition Cost and Ownership Ratio after the Acquisition

- (1) Number of shares transferred: 14,328,000 shares
- (2) Acquisition cost: 12,700 million yen
- (3) Ownership ratio after the acquisition: 100%

### 6. Funding Method

Fund on hand

### 3. Nonconsolidated Financial Statements

#### (1) Nonconsolidated Balance Sheets

(In millions of yen)

|                                                                     | March 31, 2011 | March 31, 2012 |
|---------------------------------------------------------------------|----------------|----------------|
| <b>ASSETS:</b>                                                      |                |                |
| Current assets:                                                     |                |                |
| Cash on hand and in banks                                           | 74,680         | 82,631         |
| Cash deposits for armored car services                              | 54,641         | 52,386         |
| Notes receivable                                                    | 221            | 720            |
| Due from subscribers                                                | 11,563         | 14,324         |
| Accounts receivable, trade                                          | 6,074          | 10,039         |
| Receivables - other                                                 | 2,385          | 2,159          |
| Short-term investments                                              | 456            | 456            |
| Merchandise                                                         | 4,279          | 5,152          |
| Supplies                                                            | 1,167          | 1,470          |
| Prepaid expenses                                                    | 2,051          | 2,253          |
| Deferred income taxes                                               | 4,938          | 4,269          |
| Short-term loans receivable                                         | 277            | 369            |
| Short-term loans receivable to subsidiaries and affiliates          | 4,040          | 15,197         |
| Other                                                               | 1,857          | 1,639          |
| Allowance for doubtful accounts                                     | (206)          | (268)          |
| Total current assets                                                | 168,428        | 192,804        |
| Fixed assets:                                                       |                |                |
| Tangible assets:                                                    |                |                |
| Buildings and improvements                                          | 51,337         | 47,123         |
| Accumulated depreciation of buildings and improvements              | (29,026)       | (30,714)       |
| Buildings and improvements, net                                     | 22,310         | 16,409         |
| Automobiles                                                         | 447            | 492            |
| Accumulated depreciation of automobiles                             | (203)          | (260)          |
| Automobiles, net                                                    | 243            | 231            |
| Security equipment and control stations                             | 242,811        | 252,110        |
| Accumulated depreciation of security equipment and control stations | (181,350)      | (186,768)      |
| Security equipment and control stations, net                        | 61,461         | 65,341         |
| Machinery and equipment                                             | 7,826          | 7,744          |
| Accumulated depreciation of machinery and equipment                 | (7,260)        | (7,382)        |
| Machinery and equipment, net                                        | 565            | 361            |
| Tools, furniture and fixtures                                       | 19,642         | 20,558         |
| Accumulated depreciation of tools, furniture and fixtures           | (16,490)       | (17,257)       |
| Tools, furniture and fixtures, net                                  | 3,151          | 3,301          |
| Land                                                                | 28,390         | 28,555         |
| Construction in progress                                            | 1,743          | 1,710          |
| Other                                                               | 854            | 856            |
| Accumulated depreciation of other                                   | (340)          | (482)          |
| Other, net                                                          | 513            | 374            |
| Total tangible assets                                               | 118,379        | 116,286        |
| Intangible assets:                                                  |                |                |
| Goodwill                                                            | -              | 3,350          |
| Software                                                            | 6,751          | 5,487          |
| Other                                                               | 815            | 1,586          |
| Total intangible assets                                             | 7,566          | 10,424         |
| Investments and others:                                             |                |                |
| Investment securities                                               | 20,969         | 23,906         |
| Investment securities in subsidiaries and affiliates                | 203,036        | 190,305        |
| Investments in subsidiaries and affiliates                          | 1,874          | 1,883          |
| Long-term loans receivable                                          | 4,687          | 4,298          |
| Long-term loans receivable to employees                             | 53             | 59             |
| Long-term loans receivable to subsidiaries and affiliates           | 113,536        | 123,716        |
| Lease deposits                                                      | 8,047          | 8,147          |
| Long-term prepaid expenses                                          | 25,872         | 24,013         |
| Prepaid pension and severance costs                                 | 14,321         | 15,903         |
| Deferred income taxes                                               | 13,865         | 130            |
| Insurance funds                                                     | 4,181          | 4,181          |
| Other                                                               | 2,831          | 2,713          |
| Allowance for doubtful accounts                                     | (12,995)       | (19,326)       |
| Total investments and others                                        | 400,281        | 379,933        |
| Total fixed assets                                                  | 526,227        | 506,643        |
| Total Assets                                                        | 694,656        | 699,448        |

**(1) Nonconsolidated Balance Sheets (Continued)**

(In millions of yen)

|                                                                  | March 31, 2011 | March 31, 2012 |
|------------------------------------------------------------------|----------------|----------------|
| <b>LIABILITIES:</b>                                              |                |                |
| Current liabilities:                                             |                |                |
| Accounts payable                                                 | 1,672          | 2,400          |
| Bank loans                                                       | 29,386         | 27,659         |
| Lease obligations                                                | 71             | 80             |
| Payables – other                                                 | 10,824         | 13,756         |
| Payables – construction                                          | 3,719          | 4,343          |
| Accrued income taxes                                             | 12,450         | 3,938          |
| Accrued consumption taxes                                        | 1,422          | 2,062          |
| Accrued expenses                                                 | 722            | 716            |
| Deposits received                                                | 20,362         | 22,066         |
| Deferred revenue                                                 | 22,229         | 22,340         |
| Accrued bonuses                                                  | 5,468          | 6,116          |
| Other                                                            | 2,107          | 640            |
| Total current liabilities                                        | 110,439        | 106,121        |
| Long-term liabilities:                                           |                |                |
| Lease obligations                                                | 2,253          | 2,217          |
| Guarantee deposits received                                      | 18,262         | 18,099         |
| Accrued pension and severance costs                              | 4,040          | 3,945          |
| Accrued retirement benefits for directors and corporate auditors | 1,232          | 1,294          |
| Other                                                            | 11             | 10             |
| Total long-term liabilities                                      | 25,799         | 25,568         |
| Total liabilities                                                | 136,238        | 131,689        |
| <b>NET ASSETS:</b>                                               |                |                |
| Shareholders' equity:                                            |                |                |
| Common stock                                                     | 66,377         | 66,377         |
| Capital surplus:                                                 |                |                |
| Additional paid-in capital                                       | 83,054         | 83,054         |
| Total capital surplus                                            | 83,054         | 83,054         |
| Retained earnings:                                               |                |                |
| Legal reserve                                                    | 9,028          | 9,028          |
| Other retained earnings:                                         |                |                |
| Reserve for system developments                                  | 800            | 800            |
| General reserve                                                  | 2,212          | 2,212          |
| Accumulated earnings carried forward                             | 472,070        | 478,914        |
| Total retained earnings                                          | 484,110        | 490,954        |
| Common stock in treasury, at cost                                | (74,923)       | (73,659)       |
| Total shareholders' equity                                       | 558,619        | 566,727        |
| Valuation, translation adjustments and others:                   |                |                |
| Unrealized gains (losses) on securities                          | (201)          | 1,031          |
| Total valuation, translation adjustments and others              | (201)          | 1,031          |
| Total net assets                                                 | 558,417        | 567,758        |
| Total liabilities and net assets                                 | 694,656        | 699,448        |

## (2) Nonconsolidated Statements of Income

(In millions of yen)

|                                                                                | Year ended<br>March 31, 2011 | Year ended<br>March 31, 2012 |
|--------------------------------------------------------------------------------|------------------------------|------------------------------|
| Revenue:                                                                       |                              |                              |
| Service charges                                                                | 290,252                      | 299,523                      |
| Sales of merchandise                                                           | 39,045                       | 45,952                       |
| Total revenue                                                                  | 329,297                      | 345,476                      |
| Costs:                                                                         |                              |                              |
| Cost of service                                                                | 160,203                      | 169,928                      |
| Cost of sales                                                                  | 31,081                       | 33,458                       |
| Total costs                                                                    | 191,284                      | 203,386                      |
| Gross Profit                                                                   | 138,013                      | 142,089                      |
| Selling, general and administrative expenses:                                  |                              |                              |
| Advertisement                                                                  | 2,847                        | 2,290                        |
| Salaries                                                                       | 27,191                       | 29,326                       |
| Bonuses                                                                        | 4,260                        | 4,636                        |
| Provision for accrued bonuses                                                  | 2,075                        | 2,319                        |
| Pension and severance costs                                                    | 1,763                        | 1,842                        |
| Provision for retirement benefits for directors and corporate auditors         | 57                           | 62                           |
| Welfare expenses                                                               | 4,639                        | 5,074                        |
| Depreciation and amortization                                                  | 1,775                        | 1,808                        |
| Rent expenses                                                                  | 5,168                        | 5,252                        |
| Travel expenses                                                                | 1,212                        | 1,185                        |
| Communication expenses                                                         | 1,302                        | 1,391                        |
| Office supply expenses                                                         | 851                          | 924                          |
| Taxes and public imposts                                                       | 1,349                        | 1,313                        |
| Business consignment expenses                                                  | 5,032                        | 5,462                        |
| Research and development expenses                                              | 4,337                        | 3,606                        |
| Amortization of goodwill                                                       | -                            | 278                          |
| Other                                                                          | 5,458                        | 5,116                        |
| Total selling, general and administrative expenses                             | 69,324                       | 71,893                       |
| Operating profit                                                               | 68,688                       | 70,196                       |
| Non-operating income:                                                          |                              |                              |
| Interest income                                                                | 2,023                        | 1,668                        |
| Dividends income                                                               | 6,492                        | 5,927                        |
| Other                                                                          | 347                          | 452                          |
| Total non-operating income                                                     | 8,863                        | 8,048                        |
| Non-operating expenses:                                                        |                              |                              |
| Interest expenses                                                              | 286                          | 325                          |
| Loss on sales and disposal of fixed assets                                     | 1,189                        | 1,043                        |
| Write-off of long-term prepaid expenses                                        | 805                          | 774                          |
| Other                                                                          | 768                          | 889                          |
| Total non-operating expenses                                                   | 3,050                        | 3,032                        |
| Ordinary profit                                                                | 74,501                       | 75,212                       |
| Extraordinary profit:                                                          |                              |                              |
| Gain on extinguishment of tie-in shares                                        | -                            | 22,985                       |
| Gain on sales of investment securities                                         | 81                           | 11                           |
| Gain on refund of lease deposits                                               | 18                           | -                            |
| Other                                                                          | 6                            | 4                            |
| Total extraordinary profit                                                     | 106                          | 23,001                       |
| Extraordinary losses:                                                          |                              |                              |
| Debt-equity-swap loss                                                          | -                            | 24,999                       |
| Impairment loss for fixed assets                                               | -                            | 7,909                        |
| Provision for allowance for doubtful accounts                                  | 805                          | 6,391                        |
| Loss on revaluation of investment securities                                   | 450                          | 757                          |
| Loss related to disasters                                                      | 431                          | 465                          |
| The effect of adoption of accounting standard for asset retirement obligations | 838                          | -                            |
| Other                                                                          | 112                          | 171                          |
| Total extraordinary losses                                                     | 2,637                        | 40,695                       |
| Income before income taxes                                                     | 71,970                       | 57,518                       |
| Income taxes - current                                                         | 26,258                       | 17,270                       |
| Income taxes - deferred                                                        | 688                          | 13,429                       |
| Total income taxes                                                             | 26,946                       | 30,699                       |
| Net income                                                                     | 45,023                       | 26,818                       |

### (3) Nonconsolidated Statements of Changes in Net Assets

(In millions of yen)

|                                                  | Year ended<br>March 31, 2011 | Year ended<br>March 31, 2012 |
|--------------------------------------------------|------------------------------|------------------------------|
| <b>Shareholders' equity:</b>                     |                              |                              |
| Common stock:                                    |                              |                              |
| Balance at the beginning of the current period   | 66,377                       | 66,377                       |
| Changes during the current period:               |                              |                              |
| Total changes during the current period          | -                            | -                            |
| Balance at the end of the current period         | 66,377                       | 66,377                       |
| Capital surplus:                                 |                              |                              |
| Additional paid-in capital:                      |                              |                              |
| Balance at the beginning of the current period   | 83,054                       | 83,054                       |
| Changes during the current period:               |                              |                              |
| Total changes during the current period          | -                            | -                            |
| Balance at the end of the current period         | 83,054                       | 83,054                       |
| Other capital surplus:                           |                              |                              |
| Balance at the beginning of the current period   | -                            | -                            |
| Changes during the current period:               |                              |                              |
| Disposal of treasury stock                       | (0)                          | (351)                        |
| Transfer of losses on disposal of treasury stock | 0                            | 351                          |
| Total changes during the current period          | -                            | -                            |
| Balance at the end of the current period         | -                            | -                            |
| Total capital surplus:                           |                              |                              |
| Balance at the beginning of the current period   | 83,054                       | 83,054                       |
| Changes during the current period:               |                              |                              |
| Disposal of treasury stock                       | (0)                          | (351)                        |
| Transfer of losses on disposal of treasury stock | 0                            | 351                          |
| Total changes during the current period          | -                            | -                            |
| Balance at the end of the current period         | 83,054                       | 83,054                       |
| Retained earnings:                               |                              |                              |
| Legal reserve:                                   |                              |                              |
| Balance at the beginning of the current period   | 9,028                        | 9,028                        |
| Changes during the current period:               |                              |                              |
| Total changes during the current period          | -                            | -                            |
| Balance at the end of the current period         | 9,028                        | 9,028                        |
| Other retained earnings:                         |                              |                              |
| Reserve for system developments:                 |                              |                              |
| Balance at the beginning of the current period   | 800                          | 800                          |
| Changes during the current period:               |                              |                              |
| Total changes during the current period          | -                            | -                            |
| Balance at the end of the current period         | 800                          | 800                          |
| General reserve:                                 |                              |                              |
| Balance at the beginning of the current period   | 2,212                        | 2,212                        |
| Changes during the current period:               |                              |                              |
| Total changes during the current period          | -                            | -                            |
| Balance at the end of the current period         | 2,212                        | 2,212                        |
| Accumulated earnings carried forward:            |                              |                              |
| Balance at the beginning of the current period   | 445,579                      | 472,070                      |
| Changes during the current period:               |                              |                              |
| Cash dividends                                   | (18,532)                     | (19,622)                     |
| Net income                                       | 45,023                       | 26,818                       |
| Transfer of losses on disposal of treasury stock | (0)                          | (351)                        |
| Total changes during the current period          | 26,490                       | 6,844                        |
| Balance at the end of the current period         | 472,070                      | 478,914                      |
| Total retained earnings:                         |                              |                              |
| Balance at the beginning of the current period   | 457,620                      | 484,110                      |
| Changes during the current period:               |                              |                              |
| Cash dividends                                   | (18,532)                     | (19,622)                     |
| Net income                                       | 45,023                       | 26,818                       |
| Transfer of losses on disposal of treasury stock | (0)                          | (351)                        |
| Total changes during the current period          | 26,490                       | 6,844                        |
| Balance at the end of the current period         | 484,110                      | 490,954                      |

### (3) Nonconsolidated Statements of Changes in Net Assets (Continued)

(In millions of yen)

|                                                       | Year ended<br>March 31, 2011 | Year ended<br>March 31, 2012 |
|-------------------------------------------------------|------------------------------|------------------------------|
| Common stock in treasury, at cost:                    |                              |                              |
| Balance at the beginning of the current period        | (74,907)                     | (74,923)                     |
| Changes during the current period:                    |                              |                              |
| Purchase of treasury stock                            | (16)                         | (292)                        |
| Disposal of treasury stock                            | 0                            | 1,556                        |
| Total changes during the current period               | (16)                         | 1,263                        |
| Balance at the end of the current period              | (74,923)                     | (73,659)                     |
| Total shareholders' equity:                           |                              |                              |
| Balance at the beginning of the current period        | 532,145                      | 558,619                      |
| Changes during the current period:                    |                              |                              |
| Cash dividends                                        | (18,532)                     | (19,622)                     |
| Net income                                            | 45,023                       | 26,818                       |
| Purchase of treasury stock                            | (16)                         | (292)                        |
| Disposal of treasury stock                            | 0                            | 1,204                        |
| Transfer of losses on disposal of treasury stock      | -                            | -                            |
| Total changes during the current period               | 26,474                       | 8,108                        |
| Balance at the end of the current period              | 558,619                      | 566,727                      |
| <b>Valuation, translation adjustments and others:</b> |                              |                              |
| Unrealized gains (losses) on securities:              |                              |                              |
| Balance at the beginning of the current period        | 786                          | (201)                        |
| Changes during the current period:                    |                              |                              |
| Net changes of items other than shareholders' equity  | (987)                        | 1,232                        |
| Total changes during the current period               | (987)                        | 1,232                        |
| Balance at the end of the current period              | (201)                        | 1,031                        |
| Total valuation, translation adjustments and others:  |                              |                              |
| Balance at the beginning of the current period        | 786                          | (201)                        |
| Changes during the current period:                    |                              |                              |
| Net changes of items other than shareholders' equity  | (987)                        | 1,232                        |
| Total changes during the current period               | (987)                        | 1,232                        |
| Balance at the end of the current period              | (201)                        | 1,031                        |
| <b>Total net assets:</b>                              |                              |                              |
| Balance at the beginning of the current period        | 532,931                      | 558,417                      |
| Changes during the current period:                    |                              |                              |
| Cash dividends                                        | (18,532)                     | (19,622)                     |
| Net income                                            | 45,023                       | 26,818                       |
| Purchase of treasury stock                            | (16)                         | (292)                        |
| Disposal of treasury stock                            | 0                            | 1,204                        |
| Net changes of items other than shareholders' equity  | (987)                        | 1,232                        |
| Total changes during the current period               | 25,486                       | 9,341                        |
| Balance at the end of the current period              | 558,417                      | 567,758                      |

#### (4) Notes to Business Combination

Transactions under Common Control, etc.

#### 1. Name and Business Description of Company Subject to Business Combination, Date of Business Combination, Legal Form of Business Combination, Name of Company Subsequent to Combination and Outline of Transaction Including Its Purpose

##### (1) Name and Business Description of Company Subject to Business Combination

###### (i) Company Subject to Business Combination

Secom Techno Service Co., Ltd. (hereinafter “Secom Techno”)

###### (ii) Business Description

Installation of on-line security systems, maintenance of building equipment, design to installation and maintenance of various architectural equipment and sales and installation of security systems for condominiums

##### (2) Date of Business Combination

July 1, 2011

##### (3) Legal Form of Business Combination

SECOM CO., LTD. (hereinafter “SECOM”) absorbed Secom Techno and became the surviving company; Secom Techno was subsequently dissolved.

##### (4) Name of Company Subsequent to Combination

There was no change in the name of the company subsequent to business combination.

##### (5) Outline of Transaction Including Its Purpose

For the purpose of increasing the corporate values of the entire SECOM Group by accelerating the Group’s efforts to establish “Social System Industry” through maximization of synergy, which was achieved by means of operational integration with Secom Techno.

#### 2. Outline of Accounting Treatment

Pursuant to “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures” (ASBJ Guidance No. 10, revised on December 26, 2008), the transaction was accounted for as a transaction under common control.

#### 3. Acquisition Cost of Company Subject to Business Combination and Breakdown Thereof

##### Consideration for Acquisition

Acquisition costs relating to the tender offer

held by SECOM in the previous fiscal year 13,443 million yen

Fair value of common stock of SECOM

delivered on the date of business combination 1,204 million yen

Costs Directly Associated with Acquisition

Advisory fees etc. 43 million yen

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Acquisition Cost 14,691 million yen

#### 4. Merger Ratio for Each Share Classes, the Calculation Method, and the Number of Shares Delivered

##### (1) Share classes and merger ratio

|                              |      |        |
|------------------------------|------|--------|
| Common stock of Secom Techno | 1    | share  |
| Common stock of SECOM        | 0.85 | shares |

##### (2) The calculation method

SECOM and Secom Techno referred to and carefully reviewed the calculation results for the merger ratio submitted by their respective financial advisors, consulted with each other and decided the merger ratio.

##### (3) The number of shares delivered

316,909 shares

#### 5. Amount of Goodwill, Cause of Goodwill, Amortization Method and Period

##### (1) Amount of Goodwill

3,715 million yen

##### (2) Cause of Goodwill

The goodwill is attributable to the total amount of both acquisition cost relating to the tender offer held by SECOM in the previous period and fair value of common stock of SECOM delivered by the merger exceeding the corresponding part of net assets of the dissolved company.

##### (3) Amortization Method and Period

Amortization by the straight-line method over a 10-year period

#### **(5) Significant Subsequent Events**

Please refer to “2. Consolidated Financial Statements (8) Significant Subsequent Events” on page 21 in the appendices.