

## Taking the Social System Industry to the Next Level



**S**ECOM continues to define its mission as being to provide a full range of services that respond to the needs of its customers. To this end, we are maximizing the comprehensive capabilities of the entire SECOM Group. We are building on our success as a provider of security services. This success is underpinned by our commitment to quality and responsiveness, which we have realized by maintaining control over every aspect of our services, from research and development and the manufacture of equipment to planning, installation, 24-hour monitoring, emergency response and maintenance. At the same time, we are generating unique internal synergies by combining our security, medical, insurance, information, GIS and education services. This enables us to offer innovative solutions in the form of integrated, appropriately priced packages that make life more secure, convenient and comfortable—the ultimate goal of the Social System Industry.

Today, we are aiming to take the Social System Industry to the next level. Our focus here will be on ensuring that SECOM is a company people feel they can turn to and trust to meet a wide range of needs. Accordingly, we will continue to place our ultimate priority on communicating with customers to ensure a firm grasp of their concerns, and on developing new, integrated offerings that deliver security and peace of mind. In the following pages, we invite you to take a closer look at recent SECOM initiatives for individuals, commercial customers and medical institutions.

## Services for Individuals: Security, Convenience and Peace of Mind

### Enhancing Security for Families at Home

Ensuring the safety of people in their homes is at the heart of the Social System Industry vision. Since introducing Japan's first home security system in 1981, we have developed a wide range of highly effective systems that provide security and peace of mind to customers in the residential security market. The increasing incidence of residential break-ins in Japan in recent years has spurred rapid growth in the market for home security services. Even more alarming has been a rise in the number of break-ins perpetrated when residents are at home—particularly at night when they are asleep, which has prompted greater awareness of the need to protect homes even when residents are there.

We have responded to expanding demand by reinforcing our lineup of products and services for our home security system subscribers. New offerings include SECOM *Anshin* Glass, a high-impact window glass with built-in sensors that alert SECOM the instant breakage

occurs, and SECOM Window Frame, comprising decorative window bars with built-in sensors and reinforced steel that resists distortion and breakage, making it difficult for intruders to enter through windows. We also introduced Strong Door, a reinforced door for use inside homes that cannot be forced open for a specified period of time after the lock has been forced. Through these and other physical security products and services, we will continue to enhance security for families at home.

### Expanding Home Medical Services

Since pioneering the concept of home security, we have viewed health and medical services as an inherent component of our mission to provide security and peace of mind. In 1982, we introduced My Doctor, an emergency medical alert system, as an option to home security service subscribers. In 1992, we added Health Hot Line, a health advisory service, as a standard feature of our home security system. In response to growing demand, in autumn 2003 we plan to introduce SECOM Medical Club, a membership-based service primarily for our home security subscribers. SECOM Medical Club will encompass preventive treatment, emergency medical



services and specialist and hospital referral services. Going forward, we hope to expand the market for SECOM Medical Club services to include employees of companies that use our commercial security systems.

We also believe people should have access to home-based alternatives to hospital treatment. Accordingly, we have created a solid platform for providing convenient, effective medical and nursing care services to patients in their own homes. To enhance our capabilities in this field, we are currently developing a range of services using portable health monitors. Our first service features a compact, portable electrocardiograph that patients can use to record heart activity simply by placing it against their chest. Monitor data is transmitted to our electrocardiography center, where it is converted into an electrocardiogram and faxed to a specified hospital or other health care facility. This personalized service makes it possible for patients themselves to monitor and record information on their condition when they are out as easily as they can at

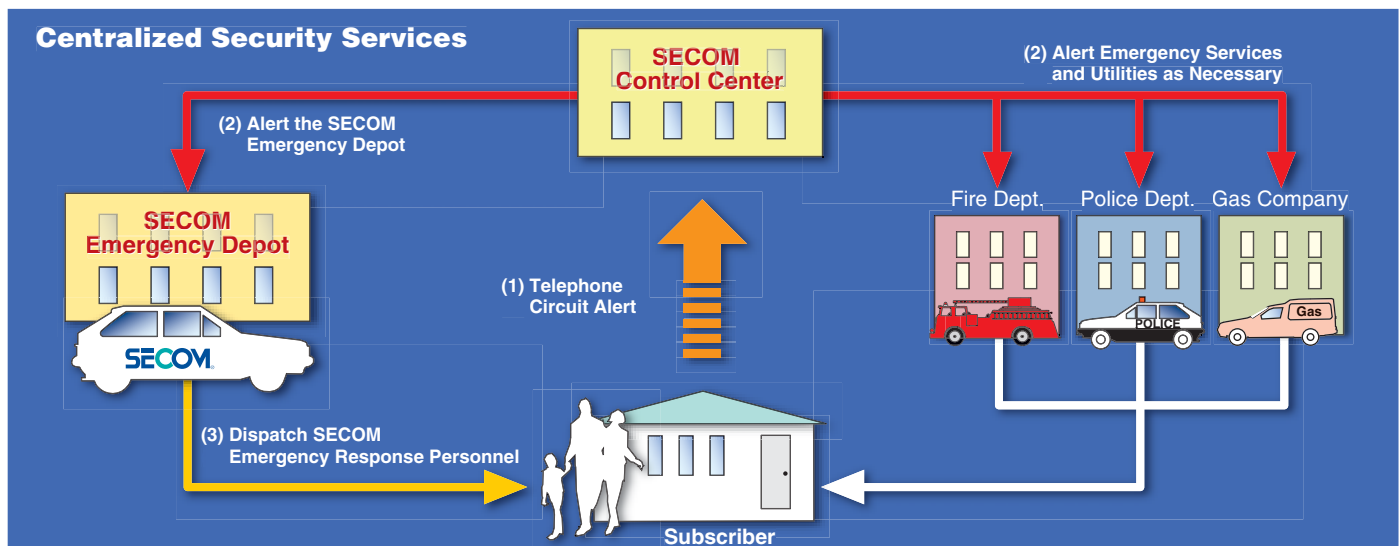


home. We are currently working with specialists in the area of circulatory disorders to develop consulting services and health monitors and are planning to eventually expand our lineup to include monitors for patients with respiratory ailments.

We are confident that home medical care will continue to grow in importance as an alternative to hospitalization. Accordingly, we will continue to reinforce our capabilities in this area, thereby contributing to efforts to ensure effective health care for everyone.

**Insurance Services: Building on Our Expertise in Security and Medical Care**

Ever since we entered the security services business, it has been our belief that only by offering a full range of services, from prevention through to compensation, could we provide total security and peace of mind. When we first began offering security services, however, it was difficult for firms in other industries to offer insurance services. With the deregulation of Japan's insurance industry in the mid-1990s, we



entered the non-life insurance market. Since then, subsidiary Secom General Insurance Co., Ltd., has offered a unique lineup of products combining security and insurance. These include SECOM *Anshin My Home*, a comprehensive fire insurance policy that offers subscribers to home security services a significant discount on premiums. We also offer New SECOM *Anshin My Car*, which offers round-the-clock on-site emergency services.

Capitalizing on our expertise in insurance and medical services, we created MEDCOM, an unrestricted cancer treatment policy that provides access to cutting-edge treatments not covered by Japan's national health insurance scheme. MEDCOM also pays the entire portion of medical fees incurred by the patient for cancer treatment covered by national health insurance, as well as fees for advanced treatments, thereby greatly reducing the financial burden on patients undergoing treatment. The policy also covers referrals to selected leading cancer treatment centers, consultation with specialists and the solicitation of second opinions. A true SECOM original, MEDCOM is another important part of our mission to provide customers with security and peace of mind.

**COCO-SECOM: Security for People, Property and Pets on the Move**

COCO-SECOM is a suite of services that integrate security, information and GIS services to tap new demand for security for people, vehicles and portable items. These services are designed to minimize concerns about kidnapping or the disappearance of elderly people suffering from senile dementia and about the increasing frequency of automobile and motorcycle theft. COCO-SECOM combines locating technologies that use data from the Global Positioning System (GPS) and

cellular telephone base stations, with our accumulated security expertise, technologies and network capabilities. As an option, customers can also request to have SECOM emergency personnel dispatched to the location of the person or object in question.

Since launching COCO-SECOM in April 2001, we have augmented services in response to increasingly diverse customer needs. Recent offerings include COCO-SECOM Car Alarm, which adds antitheft functions to basic mobile security services. COCO-SECOM EZ and COCO-SECOM-i, which operate with a cellular telephone, incorporate a medical emergency alert function. In response to Japan's rising crime rate, in 2003 we launched COCO-SECOM with Emergency Call, a portable personal alarm that enables users to have an alert relayed to a predetermined telephone number in the event of an emergency. Another popular addition in 2003 was COCO-SECOM for Pets. To facilitate the creation of a high-precision COCO-SECOM transmitter appropriate for small animals, we developed



one of the world's smallest GPS transmitters. COCO-SECOM for Pets has been featured in the media, both in Japan and abroad, attracting attention from pet lovers worldwide. We will continue to adapt and expand the COCO-SECOM lineup to capitalize on the growing market for mobile security.

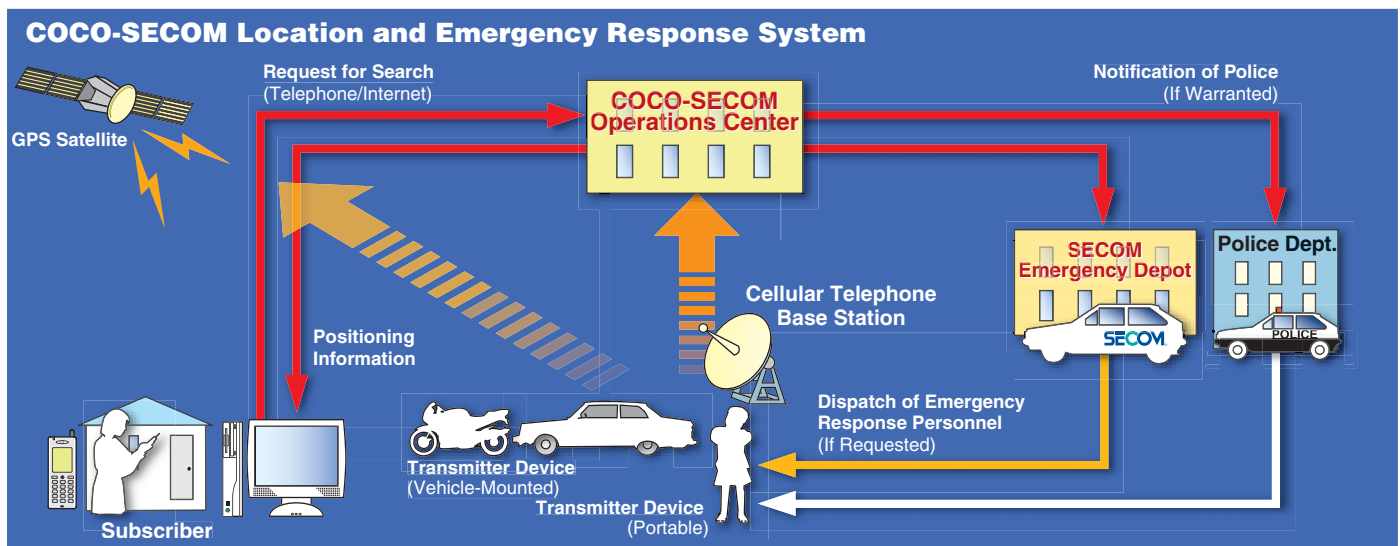
**Offering Distinctive Products and Services that Enrich People's Lives**

We consider educational services another essential element of the Social System Industry. In the period under review, subsidiary Secom Lines, a manufacturer of educational software, launched Lines E-Library Advance, a virtual education platform that focuses on drills aimed at monitoring learning progress. We anticipate strong demand from schools for Lines E-Library Advance in a variety of learning support situations. In addition to contracting Lines E-Library Advance for the classroom, schools have the option of extending access to students' home personal computers (PCs), thereby enabling teachers to tailor study programs to individual



student needs and abilities. Lines E-Library Advance is also compatible with an ongoing project initiated by the Ministry of Education, Culture, Sports, Science and Technology to promote use of the Internet in the educational sector.

On another front, we continue to cultivate operations in two areas crucial to modern society—living spaces and food. Residential real estate development subsidiary Secom Home Life Co., Ltd., has used its wealth of experience and expertise to develop the Glorio series of value-added condominiums with advanced security systems. We currently sell the SECOM Fine Foods series—healthy and tasty vegetables and fruit grown with minimal use of agrochemicals and chemical fertilizers, and processed food products containing few additives or preservatives—using catalogs and the Internet. Our real estate development and food businesses both reflect our ability to fuse our unique capabilities to develop products that meet consumers' needs.



## Services for Commercial Customers: Unmatched, Round-the-Clock Support

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### Developing New Security Systems to Help Foil Crime

Rising crime rates in Japan in recent years have been accompanied by a trend toward more carefully orchestrated, brutal and diverse types of criminal activity. We are maximizing our technological capabilities and know-how to develop new systems to ensure the security of commercial establishments.

Japan has seen a particularly sharp increase in robberies in which robbers use stolen construction equipment to destroy a stand-alone ATM booth or built-in ATM unit and then remove the cash-loaded ATM. We have responded with a number of innovative products and services. These include ATM Building Security System, the first of its kind in Japan, which flashes bright lights and sounds an alarm when it detects the approach of a power shovel or a backhoe. This revolutionary system incorporates our advanced technological capabilities in the areas of sensing and image recognition, allowing the instantaneous identification of anomalous vehicles and prompt measures, thereby greatly accelerating responsiveness. We also developed ATM Surround Protection Unit, which facilitates more secure installation. Together, these two new offerings are highly effective in discouraging the theft of ATMs and the cash therein. In a related move, we began marketing our COCO-SECOM mobile security services to construction and other firms to thwart the misappropriation of equipment. If a piece of equipment mounted with a COCO-SECOM transmitter device is moved from its assigned place, the device immediately alerts the COCO-SECOM Operations Center. With these



products and services, SECOM is helping to make ATMs more secure and reduce thefts of heavy machinery used in ATM robberies.

Swift, in-and-out break-ins are also increasingly common in other types of commercial premises.

Robbers enter an office or store and in only a few minutes make off with safes, cash or valuable merchandise. SECOM AX, a next-generation security control system, uses imaging sensors to transmit visual images to the SECOM Control Center in the event of an intrusion. To ensure even more effective protection of subscribers' assets from such robberies, we introduced Foggy Protection, an innovative feature that can be added to security systems such as SECOM AX. Foggy

Protection emits a thick cloud of vapor—making it impossible for intruders to see what they are doing—and sounds a loud alarm. The vapor emitted is harmless to humans and office equipment.

### Advanced Fully Digital Surveillance Camera and Access-Control Systems

We have marshaled our cutting-edge technologies in the area of monitoring systems to offer D-CCTV, Japan's first fully digital closed-circuit television (CCTV) surveillance camera system. Digitization facilitates the display and recording of video images that are clear and feature no degradation of picture quality. This system has been adopted for use by financial institutions, convenience stores, large-scale commercial complexes, railway stations and public buildings and facilities to ensure the safety of visitors and prevent break-ins. The sharpness and clarity of D-CCTV's digital images makes this system particularly useful when highly precise monitoring of activity and identification of individuals are required.

In response to increased awareness of and demand for fingerprint identification systems, we incorporated

our leading access-control technologies into New SESAMO IDs, an updated version of our popular fingerprint identification-based access-control package for corporate premises. To enhance the competitiveness of this product, we improved the precision of fingerprint identification and increased processing efficiency. We also achieved a lower product price and introduced a host of attractive options.

### Maximizing Synergies among Businesses to Reduce Costs to Customers

We extend Total Security Planning (TSP) services primarily for office buildings or other major facilities. TSP involves the development of service packages combining on-line security systems with, among others, security-related merchandise, casualty insurance, facility monitoring and maintenance services. Such packages offer customers a variety of benefits, including reduced costs, integrated services and more effective security. This unique business model is an outstanding example of how the Social System Industry concept works.

### SECOM Robots: The Future of Security

We are currently developing robots that will be capable of reproducing human movements for use in a variety of fields. In the period under review, we introduced our first prototype, a safe-equipped security guard robot that follows verbal commands. This robot, which not only moves at the same speed as humans but also navigates stairways, slopes and thresholds, as well as avoids obstacles, represents a key achievement for the SECOM Intelligence Systems (IS) Laboratory in robotics and sensing technologies. It also reflects the Development Center's accumulated expertise in security systems and equipment development. Designed to carry cash and valuables, the robot follows human security guards over

various surfaces and up and down stairs, sensing and avoiding obstacles in its path. It is also equipped with several defense mechanisms, including sound and bright light menaces, electric shocks and a vapor cloud-emitting device, ensuring the safety of its cargo.



### Protecting Valuable Information with Advanced Cyber Security Services

Cyber security is another pillar of our operations. We entered the networking business when interest in the Internet first began to take off in Japan. Since then, we have developed a broad range of highly effective cyber services. These include network security monitoring, digital authentication services—essential to e-commerce—and the Secure Data

Center, which facilitates the safe housing of customers' servers and a secure network environment and enhances the reliability of e-businesses.



Our network security monitoring services include SECOM Virus Monitoring Service, which monitors and protects customers' networks from viruses, and SECOM Intrusion Detection Service, which provides round-the-clock protection against unauthorized access. These services also ensure prompt responses to security threats as well as compensation in the event of a security breach resulting in damage.

In the area of digital authentication services, we offer SECOM Passport for Web, which issues digital authentication certificates, providing assurance that a web site is legitimate. Other services in this area include setting up and operating systems for organizations wishing to establish their own digital certificate authority. To date, we have set up and continue to operate digital certificate authorities for Japan's four leading financial institutions, based on the Identrus protocol—the global standard for identity authentication for e-business transactions. We have also had numerous opportunities to demonstrate our mastery in the area of government public key infrastructure (GPKI) services.

Built in answer to the growing cyber security needs of customers, the Secure Data Center offers comprehensive services, including physical security, cyber security and network services.

Spurred by the Japanese government's "e-Japan Priority Policy Program," regional public organizations are implementing ambitious e-government programs. The aim of e-government is to bring administrations closer to citizens and businesses by facilitating on-line access to public services, thereby improving convenience and efficiency. Mechanisms to ensure the security of data are crucial to the success of e-government initiatives. At the same time, the nature of e-government imposes certain restrictions on how and where security systems are managed. We have responded to such needs by



developing SECOM Data Safe, a high-security computer server-based repository that draws on our accumulated expertise in physical and cyber security. A comprehensive security solution, SECOM Data Safe provides protection against physical risks, such as equipment failure, theft, destruction and damage from fires, floods, radio waves and earthquakes, and cyber risks, including unauthorized access, virus damage, false representation and information leaks. We are also marketing SECOM Data Safe to private-sector companies requiring secure data storage.

**GIS Services: Effective Support for Corporate Management**

COCO-SECOM G-Manager assists in the management of automobile fleets and employees. A distinguishing feature of this service is its group search function, which allows the subscriber to pinpoint the location of several automobiles or people simultaneously. This feature makes COCO-SECOM G-Manager particularly effective in improving efficiency, customer service and





security for transport companies, taxi firms and other companies with numerous sales or maintenance staff.

For customers in the private sector, we also offer the Management-Navigation series, which provides digital maps superimposed with the customer’s own data and figures, creating a valuable analysis- and decision-support tool for everyone from top management to field staff. We continue to ramp up our GIS offerings to assist the efforts of companies to enhance security and bolster profitability.

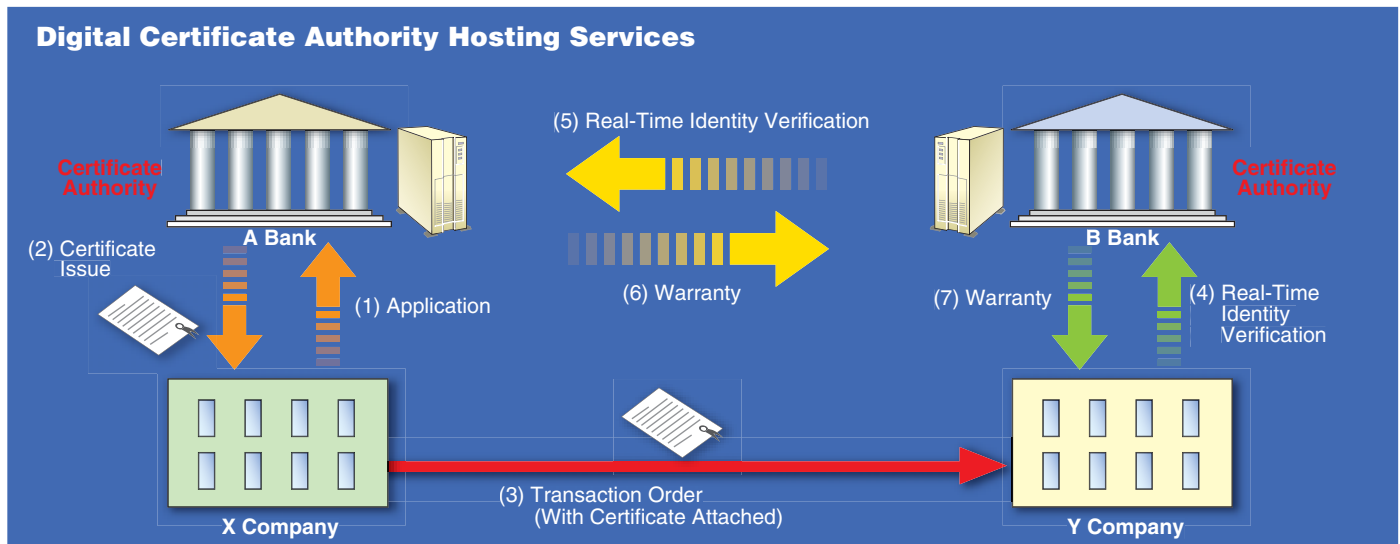
### Services for Medical Institutions: Comprehensive Assistance for Health Care Professionals

#### Support Services for Home Medical Care Clinics

In line with our belief that health and well-being are essential to security and peace of mind, we have positioned medical services as a crucial constituent of the Social System Industry. This business centers on subsidiary Secom Medical System Co., Ltd., which offers

a broad lineup that includes Japan’s first full-fledged home medical services.

Japan’s rapidly aging society and the rising cost of medical treatment are bringing about significant changes in health care in Japan. For example, the Ministry of Health, Labour and Welfare’s efforts to discourage prolonged hospital stays have led to the adoption of a system whereby the portion of medical costs reimbursed by the government decreases with every day a patient is hospitalized. Accordingly, the need for alternatives for patients who opt for home-based care rather than lengthy hospital stays is increasing sharply. Anticipating this trend, in 1991 we began offering round-the-clock home nursing services and pharmaceutical dispensing and home delivery services, which involve filling prescriptions in our clean room and delivering them to patients’ homes. Since 1999, we have expanded the geographic reach of these services, accumulating extensive expertise in the setting up and management of home nursing clinics. Building on this experience, Secom Medical System recently began offering consulting and support programs for physicians starting up new home medical care clinics, as well as for physicians managing



established clinics. By reducing the time and effort necessary to manage clinics, these services enable physicians to focus on the more important task of providing effective care for patients.

**Personnel Solutions for Medical Institutions**

In line with our goal of providing broad-based support for hospitals and clinics, we recently launched medical personnel solutions services. With changes to the residency system for new medical school graduates and the reorganization of national universities, medical institutions of all types are expected to face an increasingly harsh operating environment in the years ahead as staff migration increases and revenues fall. Privately run institutions, in particular, are likely to need assistance to attract skilled doctors and administrators. In anticipation of emerging needs, we recently launched medical personnel solutions for doctors, administrators and institutions. Through these services, we look forward to contributing to a higher standard of medical care throughout Japan.



analyzes errors by physicians or nurses—both those that resulted in accidents and those that did not—and compiles its findings in report format. By facilitating accurate analysis of risk, this system serves as a valuable support tool for medical institutions grappling with the task of establishing internal risk management schemes.

Secom Medical System also offers a variety of IT-based systems designed to support modern medical care. These include SECOM Ubiquitous EMR, Japan’s first application service provider (ASP)-based electronic report service for home medical care, and SECOM Medical Management System. In the period under review, the company introduced SECOM Medical Image Storage System, an ASP system for storing and transmitting digital image data. With this system, data from computerized tomography (CT), magnetic resonance imaging (MRI) and other systems is transmitted via high-speed Internet to image gateway equipment at hospitals. From there, data is transmitted to servers housed in the Secure Data Center for storage. This

**Medical Malpractice Risk Analysis System**

Medical accidents are a primary concern of medical professionals and patients in Japan, as elsewhere. Preventing medical accidents depends not only on identifying the causes of such accidents when they happen, but also on analyzing the potential risks posed by pervasive factors, such as procedural shortcomings and problems with the conditions under which care is provided.

In the period under review, Secom Medical System began offering Medical Risk Management System, a system for analyzing and minimizing the risk of medical accidents. This system, which was developed in cooperation with the Tohoku University School of Medicine Hospital, collects pertinent data on past accidents, as well as



system allows authorized personnel to access and view images over the Internet, enhancing their ability to offer preventive treatment, diagnose and treat illness and observe progress. Through these and other ASP- and network-based services, we will continue to support efforts to improve the efficiency of medical institutions and services.

### The Next Level

The SECOM Group today provides a broad range of innovative products and services that have redefined the boundaries of the security industry. Our expansion to date has been facilitated by the relationship of trust we have built with customers—the core of the Social System Industry—which has enabled us to maintain open lines of communication and keep abreast of their needs.

This relationship will continue to support our efforts going forward. We will broaden our focus and develop new products and services in response to emerging customer needs. As always, the companies of the

SECOM Group will be guided by a commitment to raising customer satisfaction and ensuring SECOM is a company to which people can turn with confidence.

We have built a reputation for developing innovative, market-creating products and services that are truly beneficial to society. By promoting the integration of our businesses and realizing synergies, we have catapulted the Social System Industry into a new stage of development. We look forward to achieving the full potential of the Social System Industry in the coming years.

