



CONTENTS

FINANCIAL REVIEW	18
CONSOLIDATED FINANCIAL STATEMENTS	22
CONSOLIDATED BALANCE SHEETS.....	22
CONSOLIDATED STATEMENTS OF INCOME	24
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	25
CONSOLIDATED STATEMENTS OF CASH FLOWS	26
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	27
INDEPENDENT AUDITORS' REPORT.....	41
SUMMARY OF SELECTED FINANCIAL DATA	42
COMMON STOCK DATA.....	43

Operating Results

Overview

In the fiscal year ended March 31, 2001, SECOM continued to enhance its security services as well as its operations in such fields as medical services, non-life insurance, information systems, GIS services, education and real estate development. We also stepped up marketing, systems improvement and product development efforts.

Consolidated revenue and other income amounted to ¥467.7 billion, an increase of 13.4%, or ¥55.3 billion, from the fiscal year ended March 31, 2000. This rise was attributable to continued growth in revenue and other income in the security services segment, the inclusion of a full year of revenue of subsidiary Pasco—compared with only six months in the previous period—and gain on securities contribution to employee retirement benefit trust.

Services, comprising centralized and other security services, produced revenue and other income of ¥281.7 billion, an increase of 4.1%, or ¥11.0 billion, and accounted for 60.2% of consolidated revenue and other income, down from 65.7% in the previous period. Revenue and other income from merchandise, software, medical, geographic information system and real estate climbed 33.2%, or ¥32.4 billion, to ¥129.8 billion, equivalent to 27.8% of total revenue and other income, up from 23.6%. Insurance services generated consolidated revenue and other income of ¥21.7 billion, a decline of 27.5%, or ¥8.2 billion, and represented 4.6% of the consolidated total, down from 7.3%. SECOM also recorded ¥2.6 billion in gain on sale of securities, net, and ¥10.4 billion in interest and other. In addition, SECOM contributed certain securities to its employee retirement benefit trust to increase pension plan funding, resulting in a gain of ¥21.4 billion.

Segment Results

Revenue and other income in the security services segment totaled ¥316.1 billion in the period under review, an increase of 6.9%, or ¥20.3 billion, and accounted for 67.6% of consolidated revenue and other income, compared

with 71.8% in the previous period. Revenue and other income from electronic security services was ¥234.4 billion, up 3.9%, as commercial security and home security services—the main on-line security services—recorded a firm 4.1% gain, to ¥230.8 billion. The success of these services countered a 3.3% dip in large-scale proprietary systems, to ¥3.6 billion. Other security services generated revenue and other income of ¥47.3 billion, an increase of 4.7%, composed of revenue and other income from static guard services of ¥32.2 billion, up 1.7%, and armored car services of ¥15.1 billion, an 11.6% gain. Merchandise and other contributed ¥34.4 billion, a 37.2% increase.

Revenue and other income in the medical services segment totaled ¥6.3 billion, up 4.8 times from the previous year, and accounted for 1.4% of consolidated revenue and other income, compared with 0.3% in the previous period. This gain was largely attributable to an improvement in the performance of our home medical care services and to contributions from medical instruments firm Mac, which became a consolidated subsidiary during the period under review.

The insurance services segment generated ¥22.7 billion in revenue and other income, a decline of 25.5%. This segment represented 4.8% of consolidated revenue and other income, down from 7.4% the previous year. This decline was primarily attributable to a decrease in gain on sale of securities held by Secom General Insurance for the period under review.

In the information and communication related and other services segment, which encompasses network-related and GIS services as well as real estate development, revenue and other income advanced 27.3%, to ¥92.6 billion, and constituted 19.8% of consolidated revenue and other income, compared with 17.6% in the previous period. Growth in this segment reflected the inclusion of a full year of revenue from Pasco, brisk gains in such IT-based business areas as network construction services, and a strong performance by SECOM's real estate development arm.

Costs and Expenses

Costs and expenses climbed 13.4%, or ¥45.4 billion, to ¥385.0 billion, primarily owing to the increase in revenue and other income. Cost of services—that is, cost related to electronic and other security services—rose 6.0%, or ¥8.5 billion, to ¥150.4 billion, equivalent to 53.4% of consolidated revenue and other income from services, up from 52.4% in the previous period. This was attributable to an increase in personnel costs and depreciation expenses.

Cost of merchandise, software, medical, geographic information system and real estate amounted to ¥95.0 billion, up 35.7%, or ¥25.0 billion, and represented 73.2% of consolidated revenue and other income for the category, up from 71.8% in the previous year. This increase was attributable to the inclusion of a full year of revenue from subsidiary Pasco, increased real estate sales and the consolidation of new subsidiary Mac.

Cost of insurance services was ¥15.0 billion, a decline of 20.6%, or ¥3.9 billion, from the previous period, representing 69.0% of revenue and other income from insurance services, compared with 63.1% in the previous period.

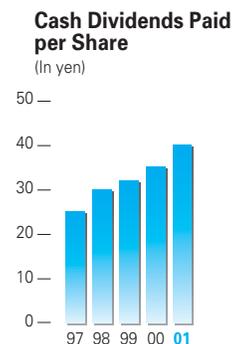
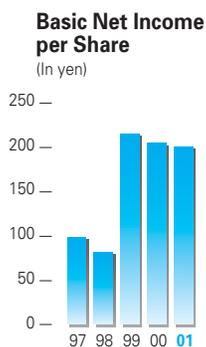
Selling, general and administrative expenses advanced 7.9%, or ¥7.8 billion, to ¥106.9 billion, or 22.9% of consolidated revenue and other income, a decrease from 24.0% in the previous year. Other expenses climbed 88.7%, or ¥7.5 billion, to ¥15.9 billion. This increase was attributable to amortization of goodwill, valuation losses

in investment securities and other investments and the allowance for doubtful accounts.

Income

Income before income taxes in the period under review was ¥82.7 billion, an increase of 13.5%, or ¥9.9 billion, reflecting a gain on securities contribution to employee retirement benefit trust. Income taxes climbed 57.4%, or ¥13.0 billion, to ¥35.7 billion, and the effective tax rate increased to 43.2%, from 31.1%. The lower effective tax rate in the previous period reflected improved performances by several domestic subsidiaries with operating loss carryforwards, which were subject to valuation allowance, as outlined in Note 15 of the notes to consolidated financial statements.

As a consequence of higher income taxes and the cumulative effect of accounting change, net of tax, net income fell 7.0%, or ¥3.3 billion, to ¥44.1 billion (see Note 2 (12) of the notes to consolidated financial statements). Return on revenue and other income was 9.4%, down from 11.5% in the previous period. Basic net income per share was ¥189.28, down from ¥203.67 per share in the previous period, while diluted net income per share amounted to ¥189.13, down from ¥203.52. Cash dividends paid per share of ¥40.00 were approved at the general shareholders' meeting held on June 28, 2001.



Financial Position

Total assets of SECOM amounted to ¥868.2 billion as of March 31, 2001, an increase of 11.4%, or ¥88.7 billion, from the previous fiscal year-end. Time deposits slipped 23.5%, or ¥3.8 billion, to ¥12.5 billion, while the shift of certain investments to investment securities prompted a 76.0%, or ¥69.6 billion, decline in short-term investments, to ¥22.0 billion. These declines countered a 7.9%, or ¥10.4 billion, increase in cash and cash equivalents, to ¥141.7 billion, and a 39.1%, or ¥11.6 billion, gain in short-term receivables, which resulted in a balance of ¥41.3 billion. As a consequence, total current assets declined 10.5%, or ¥45.7 billion, to ¥387.3 billion, and the current ratio slipped to 1.8 times, from 2.0 times at the end of the previous year.

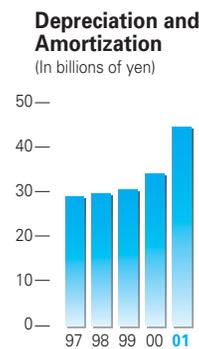
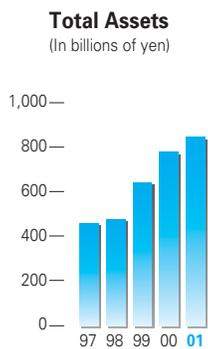
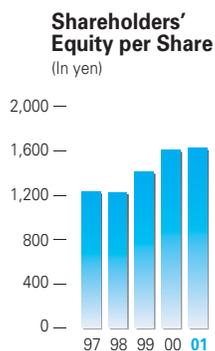
Investments and long-term receivables advanced 49.6%, or ¥79.2 billion, to ¥238.8 billion. This increase reflected several factors. Investment securities rose 54.8%, or ¥42.3 billion, to ¥119.4 billion, primarily owing to the aforementioned reclassification of investments from current assets. An increase in contracts held, mainly insurance policies, caused long-term receivables to jump 59.7%, or ¥25.6 billion, to ¥68.4 billion. New investments in a CATV-related company and others pushed investments in affiliated companies up 31.3%, or ¥7.7 billion, to ¥32.3 billion.

Property, plant and equipment, less accumulated depreciation, was ¥198.4 billion, up 16.2%, or ¥27.7 billion. This increase was largely attributable to a 16.6%, or ¥38.3 billion, increase in security equipment and control stations, to ¥268.3 billion.

Other assets soared 168.7%, or ¥27.5 billion, to ¥43.7 billion, mainly reflecting increases in deferred income taxes, as outlined in Note 15 of the notes to consolidated financial statements.

Total liabilities rose 23.2%, or ¥87.6 billion, to ¥464.4 billion. Total current liabilities edged down 0.5%, or ¥1.1 billion, to ¥218.4 billion, owing to a 46.3% decline in payables of subsidiary Secom Home Life for its real estate development, to ¥19.2 billion. Investment deposits by policyholders of subsidiary Secom General Insurance advanced 71.1%, or ¥54.1 billion, to ¥130.2 billion. Accrued pension and severance costs increased 113.0%, or ¥11.3 billion, to ¥21.3 billion. This increase was primarily the result of recording an additional minimum pension liability, owing to an increase in benefit obligation attributable to a reduction in the assumed discount rate used in computing benefit obligations for Japanese pension plans, and decreases in the current value of pension assets held by SECOM, reflecting sluggish stock market conditions in Japan.

Total shareholders' equity amounted to ¥377.5 billion, up 1.0%, or ¥3.6 billion, reflecting a 15.2%, or ¥33.8 billion, increase in retained earnings, to ¥256.1 billion; additional minimum pension liabilities adjustments of ¥17.1 billion, a ¥16.3 billion increase from the previous period, owing to the aforementioned increase of minimum pension liabilities; and a net unrealized loss in debt and equity securities of ¥2.3 billion, compared with a net unrealized gain at the previous fiscal year-end of ¥17.3 billion, mainly as a result of sluggish stock market conditions in Japan. The equity ratio fell to 43.5%,



from 48.0%, attributable to such factors as the impact of higher investment deposits by policyholders of Secom General Insurance.

Cash Flows

SECOM is committed to maintaining sufficient liquidity to ensure flexibility in its operations and guarantee a solid financial foundation. Accordingly, to the best of its ability the Company finances strategic investments with cash generated by its operating activities.

In the period under review, net cash provided by operating activities amounted to ¥136.3 billion, an increase of 97.3%, or ¥67.3 billion, from the previous year. This change primarily reflected a ¥54.1 billion increase in investment deposits by policyholders, up from an ¥18.6 billion increase in the previous period. Depreciation and amortization was ¥44.8 billion, an increase from ¥34.2 billion.

Net cash used in investing activities totaled ¥117.8 billion, up 45.5%, or ¥36.8 billion, from the previous year, primarily as a consequence of payments for purchases of property, plant and equipment of ¥51.8 billion, compared with ¥37.5 billion in the previous year; ¥19.2 billion in payments for investments in securities, up from ¥2.7 billion in the previous year, primarily owing to investment in a CATV-related affiliate; an increase in short-term receivables, net, of ¥22.8 billion, compared with an increase of ¥1.1 billion in the previous year; and payments for long-term receivables of ¥36.6 billion, up from ¥24.7 billion. Increase in short-term receivables, net, and the increase in payments for long-term receivables were mainly

attributable to the rise in investment deposits by policyholders of Secom General Insurance.

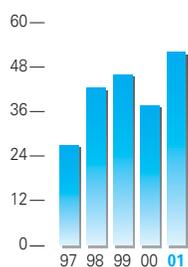
Net cash used in financing activities was ¥8.4 billion, in contrast with ¥12.7 billion net cash provided by such activities in the previous year. Proceeds from long-term debt were ¥22.0 billion, while repayments of long-term debt were ¥16.1 billion, resulting in a net increase of ¥5.9 billion, compared with a net decrease of ¥1.9 billion in the previous period. On the other hand, bank loans decreased ¥4.5 billion, compared with a ¥17.2 billion increase in the previous period. Accordingly, net proceeds from bank loans and long-term debt amounted to ¥1.4 billion, compared with ¥15.3 billion in the previous year. A per-share dividend increase to ¥40.00, from ¥35.00 (after adjustment to reflect the impact of a stock split), boosted dividends paid to ¥9.3 billion, from ¥8.1 billion in the previous year.

As a consequence of SECOM's operating, investing and financing activities during the period under review, cash and cash equivalents at end of year amounted to ¥141.7 billion, up 7.9%, or ¥10.4 billion, from ¥131.3 billion a year earlier.

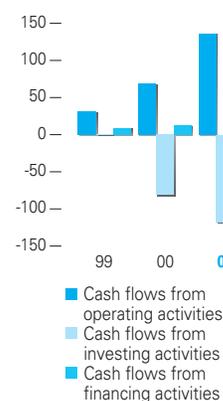
Subsequent Event

On June 27, 2001, SECOM issued unsecured bonds due on June 27, 2006, in the amount of ¥30.0 billion, with a coupon rate of 0.53%. The cash raised will finance the Company's capital expenditures, strategic investments and working capital.

Capital Investment
(In billions of yen)



Cash Flows
(In billions of yen)



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries
March 31, 2001 and 2000

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2001	March 31 2000	March 31 2001
ASSETS			
Current assets:			
Cash and cash equivalents (Note 6).....	¥ 141,725	¥ 131,329	\$ 1,142,944
Time deposits	12,460	16,291	100,484
Cash deposits (Note 7)	36,597	37,492	295,137
Short-term investments (Note 8).....	21,993	91,640	177,363
Notes and accounts receivable, trade	48,917	47,930	394,492
Due from subscribers	16,951	12,151	136,702
Inventories (Note 9).....	49,713	52,400	400,911
Short-term receivables	41,331	29,714	333,314
Allowance for doubtful accounts	(1,096)	(974)	(8,839)
Deferred insurance acquisition cost (Note 12).....	2,044	1,901	16,484
Deferred income taxes (Note 15).....	7,379	4,383	59,508
Other current assets	9,319	8,733	75,153
Total current assets	387,333	432,990	3,123,653
Investments and long-term receivables:			
Investment securities (Note 8)	119,438	77,143	963,210
Investments in affiliated companies (Note 10).....	32,349	24,635	260,879
Long-term receivables	68,389	42,813	551,524
Lease deposits.....	11,609	9,773	93,621
Other investments	14,554	10,857	117,371
Allowance for doubtful accounts.....	(7,567)	(5,637)	(61,024)
	238,772	159,584	1,925,581
Property, plant and equipment (Notes 11 and 18):			
Land	48,428	45,319	390,548
Buildings and improvements.....	64,294	60,768	518,500
Security equipment and control stations.....	268,332	230,059	2,163,968
Machinery, equipment and automobiles.....	50,476	45,025	407,065
Construction in progress.....	2,431	3,692	19,605
	433,961	384,863	3,499,686
Accumulated depreciation	(235,608)	(214,171)	(1,900,065)
	198,353	170,692	1,599,621
Other assets:			
Telephone and telegraph utility rights.....	3,681	3,881	29,685
Deferred income taxes (Note 15).....	16,388	—	132,161
Goodwill (Note 5).....	10,169	5,813	82,008
Intangibles and other.....	13,508	6,588	108,936
	43,746	16,282	352,790
Total assets	¥ 868,204	¥ 779,548	\$ 7,001,645

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2001	March 31 2000	March 31 2001
Current liabilities:			
Bank loans (Notes 7 and 11)	¥ 72,527	¥ 74,660	\$ 584,895
Current portion of long-term debt (Notes 11 and 18)	14,351	5,715	115,734
Notes and accounts payable, trade	15,855	16,342	127,863
Other payables	19,243	35,803	155,186
Deposits received	17,099	20,549	137,895
Deferred revenue (Note 2 (12))	36,662	26,087	295,661
Accrued income taxes	18,264	13,647	147,290
Accrued payrolls	14,264	11,915	115,032
Other current liabilities	10,101	14,698	81,460
Total current liabilities	218,366	219,416	1,761,016
Long-term debt (Notes 11 and 18)	24,065	23,599	194,072
Guarantee deposits received from subscribers	17,939	17,086	144,670
Accrued pension and severance costs (Note 13)	21,340	10,021	172,097
Deferred revenue (Note 2 (12))	17,206	—	138,758
Unearned premiums and other insurance liabilities (Note 12)	34,085	25,884	274,879
Investment deposits by policyholders (Note 12)	130,187	76,103	1,049,895
Deferred income taxes (Note 15)	545	4,620	4,395
Other liabilities	641	88	5,169
Total liabilities	464,374	376,817	3,744,951
Minority shareholders' interest in subsidiaries	26,298	28,819	212,081
Shareholders' equity:			
Common stock of ¥50 (\$0.40) par value (Notes 16 and 21):			
Authorized 900,000,000 shares in 2001 and 300,000,000 shares in 2000;			
issued 233,099,744 shares in 2001 and 233,075,442 shares in 2000	66,127	66,097	533,282
Additional paid-in capital (Notes 16 and 21)	79,745	79,713	643,105
Legal reserve (Note 16)	8,618	7,587	69,500
Retained earnings (Note 16)	256,108	222,344	2,065,387
Accumulated other comprehensive income (loss):			
Net unrealized gain (loss) in debt and equity securities (Note 8)	(2,329)	17,272	(18,782)
Additional minimum pension liabilities adjustments (Note 13)	(17,110)	(765)	(137,984)
Cumulative foreign currency translation adjustments	(13,624)	(18,294)	(109,871)
	377,535	373,954	3,044,637
Less—Common stock in treasury, at cost;			
510 shares in 2001 and 4,840 shares in 2000	3	42	24
Total shareholders' equity	377,532	373,912	3,044,613
Commitments and contingent liabilities (Note 20)			
Total liabilities and shareholders' equity	¥868,204	¥779,548	\$7,001,645

CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2001

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2001	2000	1999	2001
Revenue and other income:				
Services.....	¥281,723	¥270,741	¥266,346	\$2,271,960
Merchandise, software, medical, geographic information system and real estate	129,835	97,465	80,902	1,047,056
Insurance services.....	21,745	29,985	4,678	175,363
Gain on sale of securities, net (Notes 8 and 22)	2,569	5,454	35,700	20,718
Gain on securities contribution to employee retirement benefit trust (Notes 8 and 13)	21,366	—	—	172,306
Interest and other (Note 14)	10,433	8,752	6,520	84,137
	467,671	412,397	394,146	3,771,540
Costs and expenses:				
Cost of services	150,355	141,901	139,764	1,212,540
Cost of merchandise, software, medical, geographic information system and real estate	94,994	70,013	61,682	766,081
Cost of insurance services.....	15,013	18,908	3,995	121,073
Selling, general and administrative (Notes 2 (14) and 17).....	106,927	99,108	96,837	862,314
Interest	1,812	1,229	1,078	14,613
Other (Note 14).....	15,911	8,431	8,097	128,314
	385,012	339,590	311,453	3,104,935
Income before income taxes	82,659	72,807	82,693	666,605
Income taxes (Note 15):				
Current	30,011	27,396	34,946	242,024
Deferred	5,659	(4,727)	(2,573)	45,637
	35,670	22,669	32,373	287,661
Income before minority interest, equity in net income of affiliated companies and cumulative effect of accounting change.....	46,989	50,138	50,320	378,944
Minority interest in subsidiaries	(482)	(3,837)	(1,241)	(3,887)
Equity in net income of affiliated companies	1,310	1,131	839	10,564
Income before cumulative effect of accounting change	47,817	47,432	49,918	385,621
Cumulative effect of accounting change, net of tax (Note 2 (12))	(3,699)	—	—	(29,831)
Net income.....	¥ 44,118	¥ 47,432	¥ 49,918	\$ 355,790

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2001	2000	1999	2001
Per share data (Note 4):				
Income before cumulative effect of accounting change—				
Basic.....	¥205.15	¥203.67	¥214.51	\$ 1.65
Diluted	¥204.99	¥203.52	¥214.09	\$ 1.65
Cumulative effect of accounting change—				
Basic.....	(¥15.87)	¥ —	¥ —	(\$0.13)
Diluted	(¥15.86)	¥ —	¥ —	(\$0.13)
Net income—				
Basic.....	¥189.28	¥203.67	¥214.51	\$ 1.52
Diluted	¥189.13	¥203.52	¥214.09	\$ 1.52

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SECOM CO., LTD. and Subsidiaries

Three years ended March 31, 2001

In millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury stock, at cost	Total
Balance, March 31, 1998	116,233,393	¥65,327	¥78,928	¥5,956	¥142,326	(¥ 8,672)	(¥ 25)	¥283,840
Comprehensive income:								
Net income	—	—	—	—	49,918	—	—	49,918
Other comprehensive income (loss), net of tax (Note 16):								
Unrealized gain on securities:								
Unrealized holding gain arising during the period	—	—	—	—	—	6,000	—	6,000
Less: Reclassification adjustment for gain included in net income	—	—	—	—	—	(15)	—	(15)
Minimum pension liabilities adjustments	—	—	—	—	—	(888)	—	(888)
Foreign currency translation adjustments	—	—	—	—	—	(4,832)	—	(4,832)
Total comprehensive income	—	—	—	—	—	—	—	50,183
Cash dividends	—	—	—	—	(7,555)	—	—	(7,555)
Transfer to legal reserve	—	—	—	721	(721)	—	—	—
Conversion of convertible bonds	158,716	383	383	—	—	—	—	766
Purchase of treasury stock	—	—	—	—	—	—	(1,640)	(1,640)
Reissuance of treasury stock	—	—	7	—	—	—	1,546	1,553
Balance, March 31, 1999	116,392,109	65,710	79,318	6,677	183,968	(8,407)	(119)	327,147
Comprehensive income:								
Net income	—	—	—	—	47,432	—	—	47,432
Other comprehensive income (loss), net of tax (Note 16):								
Unrealized gain on securities:								
Unrealized holding gain arising during the period	—	—	—	—	—	4,879	—	4,879
Less: Reclassification adjustment for gain included in net income	—	—	—	—	—	(675)	—	(675)
Minimum pension liabilities adjustments	—	—	—	—	—	8,054	—	8,054
Foreign currency translation adjustments	—	—	—	—	—	(5,638)	—	(5,638)
Total comprehensive income	—	—	—	—	—	—	—	54,052
Cash dividends	—	—	—	—	(8,146)	—	—	(8,146)
Transfer to legal reserve	—	—	—	910	(910)	—	—	—
Conversion of convertible bonds	273,686	387	387	—	—	—	—	774
Stock split (Note 16)	116,409,647	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	(4,945)	(4,945)
Reissuance of treasury stock	—	—	8	—	—	—	5,022	5,030
Balance, March 31, 2000	233,075,442	66,097	79,713	7,587	222,344	(1,787)	(42)	373,912
Comprehensive income:								
Net income	—	—	—	—	44,118	—	—	44,118
Other comprehensive income (loss), net of tax (Note 16):								
Unrealized gain (loss) on securities:								
Unrealized holding loss arising during the period	—	—	—	—	—	(6,496)	—	(6,496)
Less: Reclassification adjustment for gain included in net income	—	—	—	—	—	(13,105)	—	(13,105)
Minimum pension liabilities adjustments	—	—	—	—	—	(16,345)	—	(16,345)
Foreign currency translation adjustments	—	—	—	—	—	4,670	—	4,670
Total comprehensive income	—	—	—	—	—	—	—	12,842
Cash dividends	—	—	—	—	(9,323)	—	—	(9,323)
Transfer to legal reserve	—	—	—	1,031	(1,031)	—	—	—
Conversion of convertible bonds	24,302	30	30	—	—	—	—	60
Purchase of treasury stock	—	—	—	—	—	—	(801)	(801)
Reissuance of treasury stock	—	—	2	—	—	—	840	842
Balance, March 31, 2001	233,099,744	¥66,127	¥79,745	¥8,618	¥256,108	(¥33,063)	(¥ 3)	¥377,532

Translation into thousands of U.S. dollars (Note 3)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury stock, at cost	Total
Balance, March 31, 2000	\$533,040	\$642,847	\$61,185	\$1,793,097	(\$ 14,411)	(\$ 339)	\$3,015,419
Comprehensive income:							
Net income	—	—	—	355,790	—	—	355,790
Other comprehensive income (loss), net of tax (Note 16):							
Unrealized gain (loss) on securities:							
Unrealized holding loss arising during the period	—	—	—	—	(52,387)	—	(52,387)
Less: Reclassification adjustment for gain included in net income	—	—	—	—	(105,685)	—	(105,685)
Minimum pension liabilities adjustments	—	—	—	—	(131,815)	—	(131,815)
Foreign currency translation adjustments	—	—	—	—	37,661	—	37,661
Total comprehensive income	—	—	—	—	—	—	103,564
Cash dividends	—	—	—	(75,185)	—	—	(75,185)
Transfer to legal reserve	—	—	8,315	(8,315)	—	—	—
Conversion of convertible bonds	242	242	—	—	—	—	484
Purchase of treasury stock	—	—	—	—	—	(6,460)	(6,460)
Reissuance of treasury stock	—	16	—	—	—	6,775	6,791
Balance, March 31, 2001	\$533,282	\$643,105	\$69,500	\$2,065,387	(\$266,637)	(\$ 24)	\$3,044,613

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2001

Translation into thousands
of U.S. dollars (Note 3)

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2001	2000	1999	2001
Cash flows from operating activities:				
Net income	¥ 44,118	¥ 47,432	¥ 49,918	\$ 355,790
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization	44,775	34,232	30,542	361,089
Accrual for pension and severance costs, less payments	4,190	525	1,733	33,790
Deferred income taxes	5,659	(4,727)	(2,573)	45,637
Net loss on sales and disposal of property, plant and equipment.....	2,655	2,129	1,806	21,411
(Gain) loss on sales of investment securities.....	(1,998)	(1,163)	182	(16,113)
Gain on securities contribution to employee retirement benefit trust (Note 8).....	(21,366)	—	—	(172,306)
Gain on sales of subsidiary's shares (Note 22).....	(571)	—	—	(4,605)
Gain on sales of shares of Secom Techno Service Co., Ltd.	—	(4,291)	—	—
Gain on sales of shares of Tokyo Internet Corporation	—	—	(13,054)	—
Gain on sales of shares of Westec Residential Security, Inc. and Valley Burglar and Fire Alarm Co., Inc.....	—	—	(22,828)	—
Equity in net income of affiliated companies.....	(1,310)	(1,131)	(839)	(10,564)
Minority interest in subsidiaries.....	482	3,837	1,241	3,887
Cumulative effect of accounting change, net of tax (Note 2 (12))	3,699	—	—	29,831
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits	895	6,352	(10,673)	7,218
Increase in receivables and due from subscribers, net of allowances.....	(2,010)	(23,406)	(5,215)	(16,210)
(Increase) decrease in inventories.....	4,029	(26,350)	(7,203)	32,492
(Increase) decrease in other current assets	6,422	(373)	(419)	51,790
Increase (decrease) in payables.....	(24,279)	27,115	1,480	(195,798)
Increase (decrease) in deposits received	(3,506)	(8,232)	9,529	(28,274)
Increase (decrease) in deferred revenue.....	3,788	871	(196)	30,548
Increase (decrease) in accrued income taxes.....	4,249	(3,445)	(2,120)	34,266
Increase in guarantee deposits received from subscribers.....	777	669	462	6,266
Increase (decrease) in other current liabilities	1,642	3,060	(343)	13,242
Increase (decrease) in unearned premiums and other insurance liabilities	8,201	(4,226)	—	66,137
Increase in investment deposits by policyholders.....	54,084	18,571	—	436,161
Other, net.....	1,720	1,641	(199)	13,871
Net cash provided by operating activities	136,345	69,090	31,231	1,099,556
Cash flows from investing activities:				
(Increase) decrease in time deposits	3,976	1,619	(2,117)	32,065
Proceeds from sales of property, plant and equipment	955	1,551	1,774	7,702
Payments for purchases of property, plant and equipment.....	(51,794)	(37,539)	(46,332)	(417,694)
Proceeds from sales of investment in securities.....	5,663	2,419	606	45,669
Payments for investments in securities	(19,242)	(2,733)	(13,214)	(155,177)
(Increase) decrease in short-term investments	(2,478)	(26,855)	3,993	(19,984)
Proceeds from sales of subsidiary's shares (Note 22)	1,016	—	—	8,194
Proceeds from sales of shares of Secom Techno Service Co., Ltd.....	—	4,512	—	—
Proceeds from sales of shares of Tokyo Internet Corporation (Note 22)	1,072	—	11,757	8,645
Proceeds from sales of shares of Westec Residential Security, Inc. and Valley Burglar and Fire Alarm Co., Inc.	—	—	33,503	—
Acquisition of Mac Corporation, net of cash acquired (Note 5).....	(3,203)	—	—	(25,831)
Acquisition of Pasco Corporation, net of cash acquired.....	—	(9,494)	—	—
Acquisition of Secom General Insurance Co., Ltd., net of cash acquired.....	—	—	12,365	—
Increase in short-term receivables, net	(22,815)	(1,149)	(1,911)	(183,992)
Payments for long-term receivables	(36,555)	(24,656)	(454)	(294,798)
Proceeds from long-term receivables	12,415	14,550	311	100,121
Increase in other assets	(6,802)	(3,406)	(2,501)	(54,855)
Other, net.....	—	197	1,602	—
Net cash used in investing activities	(117,792)	(80,984)	(618)	(949,935)
Cash flows from financing activities:				
Proceeds from long-term debt	22,031	2,614	7,445	177,669
Repayments of long-term debt	(16,102)	(4,480)	(5,016)	(129,855)
Increase (decrease) in bank loans.....	(4,516)	17,160	13,908	(36,419)
Proceeds from minority shareholders.....	5	5,443	660	40
Dividends paid.....	(9,323)	(8,147)	(7,555)	(75,185)
(Increase) decrease in treasury stock, net.....	39	77	(94)	315
Other, net.....	(530)	—	—	(4,274)
Net cash provided by (used in) financing activities	(8,396)	12,667	9,348	(67,709)
Effect of exchange rate changes on cash and cash equivalents	239	(630)	(635)	1,927
Net increase in cash and cash equivalents	10,396	143	39,326	83,839
Cash and cash equivalents at beginning of year	131,329	131,186	91,860	1,059,105
Cash and cash equivalents at end of year	¥141,725	¥131,329	¥131,186	\$1,142,944

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2001

1. Nature of Operations

The parent company and its subsidiaries (collectively "the Company") are engaged in security services, medical services, non-life insurance services, information and communication related services and other services. The Company's principal business activities are security services including on-line centralized security services for commercial and residential premises, as well as large-scale proprietary security services, static guard services, armored car services for money collection and deposit, and the development, manufacturing and sale of various security equipment.

The Company is focusing on its "Social System Industry", a network of integrated systems and services centered on the fields of security, medical care, non-life insurance, and information and communication related services, targeted at the needs of people and business. To develop this Social System Industry concept, the Company has been diversifying the operation of its services covering: home and other medical services; non-life insurance services; information and communication services including cyber security services, software development and system integration activities; Geographic Information System services using aerial surveying technology; school education systems; development and sale of real estate and other services. Moreover, the Company is currently expanding its business into broadband services using cable television networks through its affiliated companies.

2. Significant Accounting Policies

The parent company and its Japanese subsidiaries maintain their records and prepare their statutory financial statements in accordance with accounting principles generally accepted in Japan. Certain adjustments and reclassifications have been incorporated in the accompanying financial statements to conform with accounting principles generally accepted in the United States of America. These adjustments were not recorded in the statutory books of account.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant accounting policies followed in the preparation of the accompanying consolidated financial statements are summarized below:

(1) Basis of Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the parent company and those of its majority owned subsidiary companies. All intercompany transactions and accounts have been eliminated in consolidation.

Investments in 20 to 50 percent owned companies, in which the ability to exercise significant influence exists, are accounted under the equity method. Consolidated income includes the Company's current equity in the net income of affiliated companies, after elimination of intercompany profits.

The excess of cost over underlying identifiable net assets at acquisition dates of investments in subsidiaries and affiliated companies is recorded as goodwill.

On occasion, a subsidiary or affiliated company accounted for using the equity method may issue its shares to third parties either in a public offering or upon conversion of convertible debt to common stock at amounts per share in excess of or less than the Company's average per share carrying value. With respect to such transactions, the resulting income or losses arising from the change in ownership interest are recorded in income for the year the transaction occurs. With respect to sale of shares of a subsidiary, the resulting income is recognized to the extent that the sale of shares is not a part of a broader corporate reorganization contemplated or planned by the Company.

(2) Foreign Currency Translation

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate year-end current rates and all income and expense accounts are translated at average rates of exchange during the year. The resulting translation adjustments are accumulated and reported as part of other comprehensive income (loss).

Foreign currency receivables and payables of the Company are translated into yen at the rate in effect at the balance sheet date and the resulting translation gains and losses are credited or charged to income for the year.

(3) Cash Equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid investments purchased with initial maturities of three months or less to be cash equivalents.

(4) Investments in Debt and Equity Securities

The Company classifies investments in debt and equity securities as "available-for-sale" or "held-to-maturity". The Company has no securities classified as "trading". Marketable debt and equity securities which are classified as "available-for-sale" are recorded at fair value. Unrealized gains and losses on securities classified as "available-for-sale" are reported as part of other comprehensive income (loss), net of tax. Debt securities that are expected to be "held-to-maturity" are reported at amortized cost. Other investments in non-public companies are recorded at cost net of other-than-temporary impairment.

Realized gains or losses on the sale of investments are based on the moving-average cost method and are credited or charged to income.

(5) Inventories

Inventories, consisting of security-related products, real estate, and information and other related products, are stated at lower of cost or net realizable value. Cost is determined, in the case of real estate, based on a specific identification method and, in the case of other inventories, using the moving-average method.

(6) Deferred Insurance Acquisition Costs

Costs that vary with and are primarily related to acquiring new insurance policies are deferred and are being amortized principally over the premium-paying period of the related insurance policies applying a percentage relationship of cost incurred to premiums from contracts issued to applicable unearned premiums throughout the period of the contract.

(7) Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant betterments, are carried at cost. When assets are retired or otherwise disposed of, the cost and related depreciation are cleared from the respective accounts and the net difference, less any amounts realized on disposition, is reflected in income. Depreciation is computed primarily using the declining-balance method at rates based on the estimated useful lives of the assets. Depreciation expense was ¥39,903 million (\$321,798 thousand), ¥31,217 million and ¥28,838 million for the years ended March 31, 2001, 2000 and 1999, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

Buildings	22 to 50 years
Security equipment and control stations	5 years
Machinery, equipment and automobiles	3 to 15 years

(8) Telephone and Telegraph Utility Rights

These rights are shown at the net amount of their original cost less amortization thereof using the straight-line method over a period of 20 years.

(9) Intangibles and Other

Intangibles, which principally consist of internal-use software, are amortized on a straight-line basis over their useful lives which are principally five years. The Company's long-lived assets, including goodwill and identifiable intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

(10) Unearned Premiums and Other Insurance Liabilities

Unearned premiums are related to unexpired periods of insurance contracts and are earned on a pro-rata basis over the remaining contract period. Other insurance liabilities consist principally of liabilities for unpaid claims and adjustment expenses, which are estimates of payments to be made on reported claims, and incurred but not reported claims, which are computed based on past experience for unpaid losses.

(11) Income Taxes

The provision for income taxes is computed based on the pre-tax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of

temporary differences between the carrying amounts and the tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(12) Revenue Recognition

During the year ended March 31, 2001, the Company adopted Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements" issued by the United States of America Securities and Exchange Commission retroactively to April 1, 2000. As a result, the Company has changed its method of accounting for revenues from installation services of security equipment. Effective April 1, 2000, revenues from installation services of security equipment are recognized over the contractual period of security services after completion of the installation. The related installation costs are also capitalized and amortized over the contractual period. Previously, installation revenues for security equipment were recognized when the Company had substantially completed all of its obligations pursuant to the terms of the installation services contract. The Company viewed its obligation under the installation services contract to be substantially completed when installation services of security equipment were completed and recognized revenues at that time.

At April 1, 2000, the Company recorded a one-time non-cash charge of ¥3,699 million (\$29,831 thousand), net of tax, representing the effect of adoption of SAB No. 101. The charge has been reflected as a cumulative effect of accounting change in the accompanying consolidated statements of income. The accounting change did not have a material effect on the Company's consolidated statement of income for the year ended March 31, 2001. The Company has not disclosed pro forma financial information for prior years as if SAB No. 101 had been applied retroactively due to immateriality.

Revenue from security services is recognized over the contractual period or, in the case of specific services, when such services are performed. Subscribers are generally requested to prepay a portion of service charges which are credited to deferred revenue and taken into income ratably over the covered service period.

Merchandise and software sales are recognized when persuasive evidence of an arrangement including title transfer exists, delivery has occurred, the sales price is fixed or determinable, and collectibility is probable—in the case of installations, when such installations are completed.

Revenue from long-term contracts for Geographic Information System services is recognized under the percentage-of-completion method.

Property and casualty insurance premiums are earned ratably over the terms of the related insurance contracts. Unearned premiums are earned ratably over the terms of the unexpired portion of premiums written.

(13) Research and Development

Research and development costs are charged to income as incurred.

(14) Advertising Costs

Advertising costs are charged to income as incurred, except for the costs related to insurance policies. Advertising costs for acquiring new insurance policies are deferred and amortized

as part of insurance acquisition costs. Advertising expenses included in selling, general and administrative expenses for the years ended March 31, 2001, 2000 and 1999 were ¥4,864 million (\$39,226 thousand), ¥4,263 million and ¥4,215 million, respectively.

(15) Derivative Financial Instruments—Interest Rate Swap Agreements

The Company enters into interest rate swap agreements in order to limit the Company's exposure to loss in relation to underlying debt instruments resulting from adverse fluctuations in interest rates or to provide higher interest income to the Company. The related interest differentials paid or received under these agreements are recognized over the terms of the agreements in interest expense.

(16) Earnings Per Share

Basic Earnings per Share ("EPS") is computed based on the average number of shares of common stock outstanding for the period. Diluted EPS assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, or resulted in the issuance of common stock. Basic and diluted EPS for prior years are restated to reflect the stock split.

(17) Free Distribution of Common Stock

A corporation in Japan may make free distributions of its common stock to shareholders at the discretion of its Board of Directors. Free share distributions are accounted for either by (i) a transfer equal to par value or more from additional paid-in capital to the common stock account, or (ii) issuance of new shares without any change in the common stock account if the common stock account exceeds the aggregate par value of all issued shares including the newly issued shares. Such free share distributions are clearly distinguished from "stock dividends" which, under the Japanese Commercial Code, as amended effective April 1, 1991, are effected by an appropriation of retained earnings to the common stock account by a resolution of the shareholders and an issuance of additional shares by way of a stock split with respect to the amount appropriated by resolution of the Board of Directors.

A corporation in the United States of America issuing shares, comparable to less than 25 percent free share distributions, would be required to account for them as stock dividends and the fair value of the shares would be transferred from retained earnings to the appropriate capital accounts. Such transfers, however, would have no effect on total shareholders' equity (Note 21).

Free distributions of common stock are included in the EPS calculation in accordance with accounting principles generally accepted in the United States of America.

(18) Recent Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities". In June 2000, the FASB also issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133".

Both standards establish accounting reporting standards for derivative instruments and for hedging activities, and require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. SFAS No. 133, as amended, and No. 138 are effective for fiscal years beginning after June 15, 2000. The Company adopted SFAS No. 133 and No. 138 at April 1, 2001. The cumulative effect adjustment upon the adoption of SFAS No. 133 and No. 138, net of related income tax effect, resulted in an increase to other comprehensive income of approximately ¥129 million (\$1,040 thousand), and was immaterial to net income.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statements No. 125". This statement revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain financial statement disclosures. This statement is effective for transactions occurring after March 31, 2001 and is effective for the recognition and reclassification of collateral and disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The adoption of this replacement standard is not anticipated to have a material effect on the Company's consolidated financial position and results of operations.

(19) Reclassifications

Certain reclassifications of previously reported amounts have been made to conform with current classifications.

3. U.S. Dollar Amounts

U.S. dollar amounts have been included in these financial statements solely for convenience of the reader. These translations should not be construed as representing that the yen amounts actually represent, or have been or could be converted into U.S. dollars. The translations of yen into U.S. dollars have been made at the rate at March 31, 2001, ¥124=US\$1.

4. Reconciliation of the Differences between Basic and Diluted Net Income Per Share ("EPS")

Basic and diluted EPS as well as the number of shares in the following table are restated for the year ended March 31, 1999 to reflect the two-for-one stock split that became effective on November 19, 1999. Reconciliation of the differences between basic and diluted EPS for the years ended March 31, 2001, 2000 and 1999 is as follows:

	In millions of yen	Thousands of shares	In yen	In U.S. dollars
	Income before cumulative effect of accounting change	Weighted-average shares	EPS	
For the year ended March 31, 2001:				
Basic EPS—				
Income before cumulative effect of accounting change.....	¥47,817	233,081	¥205.15	\$1.65
Effect of dilutive securities—				
Convertible bonds.....	5	211		
Diluted EPS—				
Income before cumulative effect of accounting change for diluted EPS computation.....	¥47,822	233,292	¥204.99	\$1.65



	In millions of yen	Thousands of shares	In yen
	Income before cumulative effect of accounting change	Weighted-average shares	EPS
For the year ended March 31, 2000:			
Basic EPS—			
Income before cumulative effect of accounting change	¥47,432	232,883	¥203.67
Effect of dilutive securities—			
Convertible bonds	9	220	
Diluted EPS—			
Income before cumulative effect of accounting change for diluted EPS computation	¥47,441	233,103	¥203.52
For the year ended March 31, 1999:			
Basic EPS—			
Income before cumulative effect of accounting change	¥49,918	232,700	¥214.51
Effect of dilutive securities—			
Convertible bonds	9	510	
Diluted EPS—			
Income before cumulative effect of accounting change for diluted EPS computation	¥49,927	233,210	¥214.09

5. Acquisitions

In September 1998 and March 1999, the parent company subscribed, in two installments, to purchase new shares issued by Secom Toyo General Insurance Co., Ltd. (renamed in 2000 to Secom General Insurance Co., Ltd. "Secom Insurance"), a non-life insurance company in Japan, for an aggregate amount of ¥9,029 million (\$72,815 thousand). As a result, the parent company owns 81.7 percent of the outstanding shares of Secom Insurance at March 31, 2001.

In August 1999, the parent company subscribed to purchase new shares issued by Pasco Corporation ("Pasco"), which operates an aerial surveying and mapping business and Geographic Information System services in Japan, for an aggregate amount of ¥15,000 million (\$120,968 thousand). As a result, the parent company owns 70.0 percent of the outstanding shares of Pasco at March 31, 2001.

In December 2000, the parent company acquired all issued shares of Mac Corporation, which engages in sales and maintenance services for medical equipment, for an aggregate amount of ¥3,980 million (\$32,097 thousand).

The acquisitions referred to above have been accounted for under the purchase method of accounting, and the identifiable assets and liabilities of the acquired companies have been recorded at their fair value at the date of acquisition. The results of their operations have been included in the consolidated statements of income since the date of acquisition of the majority of outstanding shares. The difference between the purchase price and the value assigned to the underlying net assets acquired is included in goodwill and amounted to ¥10,127 million (\$81,669 thousand) and ¥5,768 million at March 31, 2001 and 2000, respectively. The goodwill is being amortized on a straight-line basis over periods not exceeding 10 years.

The consolidated pro forma information that would show the results of the Company's consolidated operations for the years ended March 31, 2001, 2000 and 1999 has not been disclosed

based on materiality considerations. The effort to provide comparative pro forma financial information would not be commensurate with the benefits derived from such information.

6. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2001 and 2000 were comprised as follows:

	In millions of yen		In thousands of U.S. dollars
	2001	2000	March 31 2001
Cash	¥ 64,819	¥ 67,902	\$ 522,734
Time deposits	21,944	35,203	176,968
Call loan	35,690	11,000	287,823
Investment securities	19,272	17,224	155,419
	¥141,725	¥131,329	\$1,142,944

Investment securities include marketable bonds of the Japanese government and deposits with financial institutions, most of which are held for safekeeping in the name of the relevant company by financial institutions such as banks and securities companies. These agreements mature within three months and the carrying values approximate market. The Company has never experienced any losses through default of the financial institutions and does not anticipate any default on agreements outstanding.

7. Cash Deposits

The Company operates cash collection and deposit services for banks relating to cash dispensers outside of bank facilities. Cash deposit balances, mostly in cash dispensers, of ¥36,597 million (\$295,137 thousand) and ¥37,492 million at March 31, 2001 and 2000, respectively, are segregated from cash and cash equivalents and are restricted as to use by the Company. The Company funds most of the necessary cash through bank overdraft facilities with the related banks. Bank loans included ¥20,157 million (\$162,556 thousand) and ¥23,454 million at March 31, 2001 and 2000, respectively, relating to this operation. As part of its fee arrangement for such services, the Company is reimbursed for the interest cost of the related overdrafts.

8. Short-Term Investments and Investment Securities

Short-term investments (current) and investment securities (non-current) include debt and equity securities. The related aggregate fair value, gross unrealized gains, gross unrealized losses and cost pertaining to "available-for-sale" and "held-to-maturity" investments at March 31, 2001 and 2000 were as follows:

	In millions of yen			
	Cost	Gross unrealized		Fair value
Gains		Losses	March 31, 2001	
Available-for-sale:				
Equity securities	¥ 63,883	¥8,950	¥10,643	¥ 62,190
Debt securities	54,168	568	933	53,803
Total	¥118,051	¥9,518	¥11,576	¥115,993
Held-to-maturity:				
Debt securities	¥ 20,000	¥ 223	¥ —	¥ 20,223

	In millions of yen			
	March 31, 2000			
	Cost	Gross unrealized		Fair value
Gains		Losses		
Available-for-sale:				
Equity securities	¥ 48,499	¥40,796	¥7,159	¥ 82,136
Debt securities	62,702	849	1,523	62,028
Total	¥111,201	¥41,645	¥8,682	¥144,164
Held-to-maturity:				
Debt securities	¥ 20,000	¥ 836	¥ —	¥ 20,836

	In thousands of U.S. dollars			
	March 31, 2001			
	Cost	Gross unrealized		Fair value
Gains		Losses		
Available-for-sale:				
Equity securities	\$515,185	\$72,177	\$85,830	\$501,532
Debt securities	436,839	4,580	7,524	433,895
Total	\$952,024	\$76,757	\$93,354	\$935,427
Held-to-maturity:				
Debt securities	\$161,290	\$ 1,799	\$ —	\$163,089

At March 31, 2001, debt securities principally consisted of short-term investments in monetary trusts, Japanese government bonds, corporate bonds, U.S. treasury securities and U.S. Government Agency Bonds.

In September 2000, the parent company contributed certain marketable equity securities, not including those of its subsidiaries and affiliated companies, to an employee retirement benefit trust, with no cash proceeds thereon. The fair value of these securities at the time of contribution was ¥21,550 million (\$173,790 thousand). Upon contribution of these securities, net unrealized gains amounting to ¥21,366 million (\$172,306 thousand) were realized and included in the consolidated statement of income for the year ended March 31, 2001.

The cost and fair value of "available-for-sale" and "held-to-maturity" debt securities by contractual maturity at March 31, 2001 are as follows:

	In millions of yen			
	March 31, 2001			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	¥22,132	¥21,993	¥ —	¥ —
Due after 1 year through 5 years	20,883	20,653	10,000	10,097
Due after 5 years through 10 years	6,378	6,355	—	—
Due after 10 years	4,775	4,802	10,000	10,126
	¥54,168	¥53,803	¥20,000	¥20,223

	In thousands of U.S. dollars			
	March 31, 2001			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	\$178,484	\$177,363	\$ —	\$ —
Due after 1 year through 5 years	168,411	166,556	80,645	81,427
Due after 5 years through 10 years	51,436	51,250	—	—
Due after 10 years	38,508	38,726	80,645	81,662
	\$436,839	\$433,895	\$161,290	\$163,089

During the years ended March 31, 2001 and 2000, the net unrealized gain on "available-for-sale" securities included as part of other comprehensive income (loss), net of tax, decreased by ¥19,601 million (\$158,072 thousand) and increased by ¥4,204 million, respectively.

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2001, 2000 and 1999 were ¥3,749 million (\$30,234 thousand), ¥17,561 million and ¥1,282 million, respectively. On those sales, the gross realized gains and gross realized losses, using specifically identified moving-average cost basis, for the years ended March 31, 2001, 2000 and 1999 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2000	1999	Year ended March 31
	2001	2000	1999	2001
Gross realized gains.....	¥1,491	¥6,993	¥350	\$12,024
Gross realized losses.....	255	239	690	2,056

The Company maintains long-term investment securities, included as investment securities, issued by a number of non-public companies. The aggregate carrying amount of the investments in non-public companies, at cost net of other-than-temporary impairment, was ¥5,438 million (\$43,856 thousand) and ¥4,619 million at March 31, 2001 and 2000, respectively. The corresponding fair value at that date was not computed as such estimation was not practicable.

9. Inventories

Inventories principally consist of operational equipment and certain merchandise, including security-related products, software and real estate for sale.

Inventories at March 31, 2001 and 2000 comprise as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2001	2000	2001
Security-related products	¥ 7,672	¥ 6,390	\$ 61,871
Real estate.....	36,222	40,459	292,113
Information and other-related products	5,819	5,551	46,927
	¥49,713	¥52,400	\$400,911

Work in process real estate inventories at March 31, 2001 and 2000, amounting to ¥33,731 million (\$272,024 thousand) and ¥34,848 million, respectively, are included in real estate.

10. Investments in Affiliated Companies

The Company has investments in affiliates that are accounted for under the equity method. The principal investments are Nohmi Bosai Ltd., a 28.6 percent owned affiliate, which is Japan's largest manufacturer of fire alarms and listed on the First Section of the Tokyo Stock Exchange; Taiwan Secom Co., Ltd., a 24.9 percent owned affiliate, which is listed on the Taiwan Stock Exchange Corp.; S1 Corporation, a 24.7 percent owned affiliate, which is listed on the Korea Stock Exchange; Japan Image Communications Co., Ltd., a 29.8 percent owned affiliate; Musashino-Mitaka Cable Television Inc., a 39.0 percent owned affiliate; and Japan Cablenet Holdings Limited, a 23.0 percent owned affiliate.

Summarized financial information regarding the affiliated companies accounted for under the equity method was as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2001	2000	2001
Current assets.....	¥112,313	¥ 81,472	\$ 905,750
Non-current assets	103,998	99,435	838,694
Total assets	¥216,311	¥180,907	\$1,744,444
Current liabilities	¥ 65,492	¥ 55,994	\$ 528,162
Non-current liabilities	35,964	40,427	290,032
Shareholders' equity.....	114,855	84,486	926,250
Total liabilities and shareholders' equity.....	¥216,311	¥180,907	\$1,744,444

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2001	2000	1999	2001
Net sales.....	¥150,005	¥163,882	¥155,293	\$1,209,718
Gross profit	¥ 42,441	¥ 42,617	¥ 38,722	\$ 342,266
Net income.....	¥ 4,318	¥ 5,641	¥ 3,943	\$ 34,823

Dividends received from affiliated companies for the years ended March 31, 2001, 2000 and 1999 were ¥419 million (\$3,379 thousand), ¥371 million and ¥154 million, respectively.

Among the affiliated companies accounted for using the equity method, the stocks of three companies carried at equity of ¥19,372 million (\$156,226 thousand) and ¥18,729 million at March 31, 2001 and 2000, respectively, had a quoted market value of ¥28,397 million (\$229,008 thousand) and ¥40,045 million at March 31, 2001 and 2000, respectively.

The unamortized amounts of goodwill were included in the carrying amount of investments in affiliated companies under the equity method. The unamortized amount of goodwill, ¥187 million (\$1,508 thousand) and ¥136 million at March 31, 2001 and 2000, respectively, is being amortized on a straight-line basis over periods not exceeding 10 years.

A summary of transactions and balances with the affiliated companies accounted for using the equity method is presented below:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2001	2000	1999	2001
Sales	¥1,637	¥1,748	¥1,394	\$13,202
Purchases	¥9,764	¥6,984	¥1,692	\$78,742

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2001	2000	2001
Notes and accounts receivable, trade.....	¥ 860	¥ 914	\$ 6,935
Loan receivables.....	¥ 119	¥ 647	\$ 960
Notes and accounts payable.....	¥2,931	¥ 2,883	\$23,637
Guarantees for bank loans.....	¥9,406	¥10,499	\$75,855

11. Bank Loans and Long-Term Debt

Bank loans of ¥72,527 million (\$584,895 thousand) at March 31, 2001 are represented generally by 90 to 365 day notes with interest rates ranging from 0.58 to 1.8 percent per annum. Substantially all of these loans are with banks. The Company has entered into basic agreements with these banks that state that, with respect to all present or future loans with such banks, collateral (including sums on deposit with such banks) or guarantors shall be provided immediately upon request. Further, any collateral furnished pursuant to such agreements or otherwise will be applicable to all indebtedness to such banks. The Company has never been requested to submit such additional security.

Long-term debt at March 31, 2001 and 2000 was comprised of the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2001	2000	2001
Loans, principally from banks due 2001 to 2016 with interest rates ranging from 0.00 to 6.60%:			
Secured	¥12,587	¥ 3,962	\$101,508
Unsecured	5,038	4,185	40,629
1.60% convertible bonds due 2002, convertible currently at ¥2,667.8 (\$21.51) for one common share, redeemable before due date	500	521	4,032
1.60% convertible bonds due 2004, convertible currently at ¥2,372.4 (\$19.13) for one common share, redeemable before due date	18	57	145
1.85% notes due 2002	5,000	5,000	40,323
2.05% notes due 2003	5,000	5,000	40,323
Obligations under capital leases, due 2001 to 2026 (Note 18).....	10,273	10,589	82,846
	38,416	29,314	309,806
Less: Portion due within one year	14,351	5,715	115,734
	¥24,065	¥23,599	\$194,072

Property, plant and equipment with a carrying amount of ¥6,405 million (\$51,653 thousand), inventories with a carrying amount of ¥29,287 million (\$236,185 thousand) and investment securities with a carrying amount of ¥586 million (\$4,726 thousand) were pledged as collateral for short-term and long-term debt at March 31, 2001.

The Company has no compensating balance arrangements with any lending bank. However, as is the customary practice in Japan, the Company had time deposits aggregating ¥1,043 million (\$8,411 thousand) with such banks at March 31, 2001.

The convertible bonds can be converted into common stock at any time by the bondholders. Under the terms of each subscription and underwriting agreement for convertible bonds, the conversion price of convertible bonds is subject to adjustment in certain instances, such as for stock dividends, stock split or free distributions of common stock, and an acceleration clause may be invoked if the Company experiences ordinary losses (as defined in each agreement) for three consecutive years.

Under the terms of the agreement for the 1.60 percent convertible bonds due 2002, the cumulative amount of cash dividends may not exceed ¥3,500 million (\$28,226 thousand) plus the aggregate amount of ordinary income after income taxes (as defined in the agreement) of the Company, beginning with the fiscal year ended November 30, 1987.

An acceleration clause and limitation of cash dividends will not be applied if the Company provides collateral which is accepted by the trustees.

Under the terms of the agreements for the 1.60 percent convertible bonds due 2002, a sinking fund payment is required.

The aggregate annual maturities and sinking fund requirements on long-term debt after March 31, 2001 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2002.....	¥14,351	\$115,734
2003.....	8,659	69,830
2004.....	9,466	76,339
2005.....	866	6,984
2006.....	403	3,250
Later years.....	4,671	37,669
	¥38,416	\$309,806

12. Insurance-Related Operations

Secom Insurance maintains accounting records as noted in Note 2 in accordance with the accounting principles and practices prescribed by the Supervisory Authorities in Japan, which vary in some respects from accounting principles generally accepted in the United States of America. Those differences are principally, (a) that insurance acquisition costs are charged to income when incurred in Japan whereas in the U.S. those costs are deferred and amortized generally over the premium-paying period of the insurance policies, (b) that liabilities related to incurred but not reported claims are computed based on related regulations in Japan whereas in the U.S. those liabilities are computed based on past experience for unreported losses, and (c) that unearned premiums are calculated based on the documents authorized by the Supervisory Authorities in Japan whereas in the U.S. unearned premiums are reflected based on the lapse and surrender over the contract period.

In addition, under certain property and casualty insurance contracts with a refund clause and long-term insurance policies that provide refunds at maturity, such as personal injury and fire, the policyholder receives a refund if premiums have been fully paid unless a substantial settlement (as defined in the policy) has occurred. The Company has provided for such refundable amounts by classifying a portion of the net premiums written, together with interest thereon, as investment deposits by policyholders. Contract and policy terms are principally five years.

For purposes of preparing the consolidated financial statements, appropriate adjustments have been made to reflect such items in accordance with accounting principles generally accepted in the United States of America.

The amount of net equity of Secom Insurance at March 31, 2001 and 2000 was ¥21,426 million (\$172,790 thousand) and ¥25,175 million, respectively.

13. Pension and Severance Costs

Employees of the parent company and its Japanese subsidiaries whose services are terminated are, under most circumstances, entitled to lump-sum severance indemnities or eligible for pension benefits. Lump-sum severance indemnities are provided for employees with three to 10 service years and determined by reference to current basic rates of pay, length of service and conditions under which the termination occurs.

The parent company and certain Japanese subsidiaries maintain a contributory defined benefit welfare pension plan, covering substantially all of their employees. The pension benefits thereunder are determined by reference to current basic rates of pay, length of service and conditions under which the termination occurs. The welfare pension plan is funded in conformity with the funding requirements of the Japanese Welfare Pension Insurance Law.

To supplement the above welfare pension plan, the parent company and its major Japanese subsidiaries act as trustees for non-contributory defined benefit pension plans which cover substantially all of the eligible employees having 10 years or more of service. The benefits are in the form of lump-sum and/or pension payments and are determined by formula based upon length of service and age at time of termination. The Company contributes amounts required to maintain sufficient plan assets to provide for accrued benefits, subject to limitations on deductibility imposed by Japanese income tax laws.

Net pension and severance costs under Statement of Financial Accounting Standards ("SFAS") No. 87, "Employers' Accounting for Pensions" for the years ended March 31, 2001, 2000 and 1999 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2001	2000	1999	2001
Net pension and severance costs (credit):				
Service cost.....	¥ 6,898	¥ 5,638	¥ 5,413	\$ 55,629
Interest cost.....	3,755	3,390	2,952	30,282
Expected return on plan assets.....	(3,962)	(2,712)	(2,463)	(31,952)
Amortization of transition assets.....	(46)	(46)	(46)	(371)
Amortization of prior service cost (benefit).....	(37)	105	105	(298)
Recognized actuarial loss....	606	804	1,200	4,887
Net periodic benefit cost.....	¥ 7,214	¥ 7,179	¥ 7,161	\$ 58,177

The changes in benefit obligation and plan assets, funded status and composition of amount recognized in the consolidated balance sheet were as follows:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	2000	Year ended March 31
	2001	2000	2001
Change in benefit obligation:			
Benefit obligation at beginning of year	¥109,529	¥ 94,376	\$ 883,298
Benefit obligation for Pasco at the date of acquisition	—	5,839	—
Service cost	6,898	5,638	55,629
Interest cost	3,755	3,390	30,282
Plan participants' contributions	1,266	2,087	10,210
Actuarial loss	14,427	582	116,347
Amendments	(2,049)	—	(16,524)
Benefits paid	(2,739)	(2,383)	(22,089)
Benefit obligation at end of year	131,087	109,529	1,057,153
Change in plan assets:			
Fair value of plan assets at beginning of year	86,948	64,030	701,193
Fair value of plan assets for Pasco at the date of acquisition	—	2,927	—
Actual return on plan assets	(16,179)	14,584	(130,476)
Employer contribution	25,938	5,403	209,177
Plan participants' contributions	1,266	2,087	10,210
Benefits paid	(2,254)	(2,083)	(18,177)
Fair value of plan assets at end of year	95,719	86,948	771,927
Funded status	35,368	22,581	285,226
Unrecognized actuarial loss	(45,048)	(11,085)	(363,290)
Unrecognized transition assets	181	227	1,460
Unrecognized prior service benefit (cost)	1,266	(746)	10,209
Net amount recognized	(¥ 8,233)	¥ 10,977	(\$ 66,395)
Amounts recognized in the consolidated balance sheets consist of:			
Accrued pension and severance costs	¥ 21,340	¥ 12,293	\$ 172,097
Intangible assets	(124)	—	(1,000)
Accumulated other comprehensive income (loss)	(29,449)	(1,316)	(237,492)
Net amount recognized	(¥ 8,233)	¥ 10,977	(\$ 66,395)

The assumptions used in computing the information above are as follows:

	March 31		
	2001	2000	1999
Discount rate	3.0%	3.5%	3.5%
Expected long-term rate of return on plan assets	4.0%	5.0%	4.0%
Long-term rate of salary increase	2.2–3.5%	2.7–2.8%	2.5–2.8%

The plan assets consist principally of corporate equity securities, government securities and corporate debt securities.

The provisions of SFAS No. 87 require recognition in the balance sheets of an additional minimum pension liability and related intangible assets for pension plans with an accumulated benefit obligation in excess of plan assets. The additional minimum pension liability which exceeded the unrecognized prior service cost was recorded as a component of accumulated other comprehensive income (loss), net of tax, of ¥17,110 million (\$137,984 thousand) and ¥765 million at March 31, 2001 and 2000, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plan with accumulated benefit obligation in excess of plan assets were ¥131,087 million (\$1,057,153 thousand), ¥114,622 million (\$924,371 thousand) and ¥95,719 million (\$771,927 thousand), respectively, at March 31, 2001, and ¥109,529 million, ¥95,115 million and ¥86,948 million, respectively, at March 31, 2000.

As discussed in Note 8, in September 2000, the parent company contributed certain marketable equity securities to an employee retirement benefit trust, which is included in plan assets.

Most subsidiaries outside Japan have various retirement plans, which are primarily defined contribution plans, covering substantially all of their employees. The funding policy for the defined contribution plans is to annually contribute an amount equal to a certain percent of the participants' annual salaries. The contributions to the defined contribution pension plans for the years ended March 31, 2001, 2000 and 1999 were ¥19 million (\$153 thousand), ¥25 million and ¥19 million, respectively.

14. Exchange Gains and Losses

Interest and other revenue for the year ended March 31, 2001 include net exchange gains of ¥313 million (\$2,524 thousand). Other expenses for the years ended March 31, 2000 and 1999 include net exchange losses of ¥631 million and ¥178 million, respectively.

15. Income Taxes

Total income taxes for the years ended March 31, 2001, 2000 and 1999 were allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	2001	2000	1999	2001
Income.....	¥ 35,670	¥22,669	¥32,373	\$ 287,661
Cumulative effect of accounting change	(3,528)	—	—	(28,452)
Shareholders' equity—accumulated other comprehensive income (loss):				
Net unrealized gain (loss) in debt and equity securities	(13,419)	3,070	5,367	(108,218)
Additional minimum pension liabilities adjustments.....	(11,788)	5,809	815	(95,064)
	¥ 6,935	¥31,548	¥38,555	\$ 55,927

The Company is subject to a number of different income taxes which, in the aggregate, indicate a statutory tax rate in Japan of approximately 41.9 percent for the years ended March 31, 2001 and 2000, and approximately 47.5 percent for the year ended March 31, 1999, respectively.

Reconciliations of the differences between income taxes computed at statutory tax rates and consolidated income tax expense were as follows:

	In millions of yen			In thousands of U.S. dollars
	2001	2000	1999	2001
Income taxes computed at statutory tax rate of 41.9% in 2001 and 2000, 47.5% in 1999.....	¥34,634	¥30,506	¥39,279	\$279,306
Increase (decrease) resulting from:				
Unrecognized tax benefits from subsidiaries in loss positions	1,176	1,344	1,936	9,484
Reversal of valuation allowance due to utilization of operating loss carryforwards	(2,504)	(8,689)	(8,713)	(20,194)
Amortization of non-deductible goodwill	699	118	1,213	5,637
Effect of change in normal statutory tax rate in Japan.....	—	—	(4)	—
Other, net.....	1,665	(610)	(1,338)	13,428
Consolidated income taxes	¥35,670	¥22,669	¥32,373	\$287,661

The significant components of deferred tax assets and liabilities at March 31, 2001 and 2000 were as follows:

	In millions of yen		In thousands of U.S. dollars
	2001	2000	2001
Deferred tax assets:			
Loss carryforwards.....	¥20,965	¥22,331	\$169,073
Accrued pension and severance costs	17,327	2,752	139,734
Deferred revenue.....	11,076	—	89,323
Intercompany profit.....	3,961	4,560	31,943
Insurance reserve	1,300	3,244	10,484
Research and development expenses	1,213	1,707	9,782
Enterprise and state income taxes	1,575	1,273	12,702
Allowance for doubtful accounts	1,209	1,823	9,750
Accrued bonus.....	1,728	1,070	13,935
Vacation accrual	1,594	882	12,855
Inventory devaluation	388	305	3,129
Other.....	3,723	2,894	30,024
Gross deferred tax assets	66,059	42,841	532,734
Less: Valuation allowance.....	(19,764)	(19,841)	(159,387)
Total deferred tax assets.....	46,295	23,000	373,347
Deferred tax liabilities:			
Gain on securities contribution to employee retirement benefit trust.....	(8,952)	—	(72,193)
Deferred installation costs	(7,404)	—	(59,710)
Unrealized gain on securities	(2,621)	(16,114)	(21,137)
Unearned premiums and other insurance liabilities.....	(1,235)	(3,917)	(9,960)
Reversal of securities devaluation	(1,558)	(1,659)	(12,565)
Other.....	(1,303)	(1,547)	(10,508)
Gross deferred tax liabilities...	(23,073)	(23,237)	(186,073)
Net deferred tax assets (liabilities).....	¥23,222	(¥ 237)	\$187,274

The valuation allowance principally relates to deferred tax assets of the subsidiaries with operating loss carryforwards, for tax purposes, that are not expected to be realized. The net change in the total valuation allowance for the year ended March 31, 2001 was a decrease of ¥77 million (\$621 thousand).

In assessing the realizability of deferred tax assets, the Company management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company management considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2001 and 2000.

No deferred income taxes have been provided on undistributed earnings of overseas subsidiaries totaling ¥2,359 million (\$19,024 thousand) at March 31, 2001 because they are not expected to be remitted in the foreseeable future.

At March 31, 2001, tax loss carryforwards of domestic subsidiaries amounted to ¥47,162 million (\$380,339 thousand) and are available for offset against future taxable earnings of such subsidiaries for up to five years as follows:

Expires in the years ending March 31	In millions of yen	In thousands of U.S. dollars
2002	¥ 5,373	\$ 43,331
2003	2,332	18,806
2004	35,388	285,387
2005	1,937	15,621
2006	2,132	17,194
	¥47,162	\$380,339

The tax loss carryforwards of overseas subsidiaries at March 31, 2001 amounted to ¥6,007 million (\$48,444 thousand), a part of which will begin to expire in the year 2002.

16. Shareholders' Equity

(1) Stock Split

On September 14, 1999, the Board of Directors approved a two-for-one stock split on the Company's common stock, which was distributed on November 19, 1999, to shareholders of record on September 30, 1999. The number of shares issued was 116,409,647. There was no increase in the common stock account because the new shares were distributed from the portion of previously issued shares accounted for as excess of par value in the common stock account in accordance with the Japanese Commercial Code.

(2) Retained Earnings

The Japanese Commercial Code provides that an amount equal to at least 10 percent of cash dividends and other distributions from retained earnings paid in cash by the parent company and its Japanese subsidiaries be appropriated as a legal reserve until such reserve equals 25 percent of the common stock account. The only changes in the legal reserve during the years ended March 31, 2001, 2000 and 1999 consisted of such appropriations made by the parent company and its Japanese subsidiaries.

The Japanese Commercial Code requires that dividends at year end, which the Board of Directors resolved to declare customarily in the first month following year end, be approved at the general shareholders' meeting to be held within three months after the end of accounting period.

Subsequent to March 31, 2001, the Company's Board of Directors declared an annual cash dividend of ¥9,324 million (\$75,194 thousand) to shareholders of record on March 31, 2001. The dividend declared is subject to approval at the general shareholders' meeting scheduled for June 28, 2001. Dividends are recorded in the period they are declared.

(3) Accumulated Other Comprehensive Income (Loss)

An analysis of the changes in accumulated other comprehensive income (loss) for the years ended March 31, 2001, 2000 and 1999 is as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2001:			
Unrealized gain (loss) on securities—			
Unrealized holding loss arising during the period	(¥10,490)	¥ 3,994	(¥ 6,496)
Less: Reclassification adjustment for gain included in net income	(22,530)	9,425	(13,105)
Minimum pension liabilities adjustments	(28,133)	11,788	(16,345)
Foreign currency translation adjustments	4,670	—	4,670
Other comprehensive income (loss)	(¥56,483)	¥25,207	(¥31,276)

For the year ended March 31, 2000:			
Unrealized gain on securities—			
Unrealized holding gain arising during the period	¥ 8,436	(¥ 3,557)	¥ 4,879
Less: Reclassification adjustment for gain included in net income	(1,162)	487	(675)
Minimum pension liabilities adjustments	13,863	(5,809)	8,054
Foreign currency translation adjustments	(5,638)	—	(5,638)
Other comprehensive income (loss)	¥15,499	(¥ 8,879)	¥ 6,620

For the year ended March 31, 1999:			
Unrealized gain on securities—			
Unrealized holding gain arising during the period	¥11,381	(¥ 5,381)	¥ 6,000
Less: Reclassification adjustment for gain included in net income	(29)	14	(15)
Minimum pension liabilities adjustments	(73)	(815)	(888)
Foreign currency translation adjustments	(4,832)	—	(4,832)
Other comprehensive income (loss)	¥ 6,447	(¥ 6,182)	¥ 265

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2001:			
Unrealized gain (loss) on securities—			
Unrealized holding loss arising during the period	(\$ 84,597)	\$ 32,210	(\$ 52,387)
Less: Reclassification adjustment for gain included in net income	(181,693)	76,008	(105,685)
Minimum pension liabilities adjustments	(226,879)	95,064	(131,815)
Foreign currency translation adjustments	37,661	—	37,661
Other comprehensive income (loss)	(\$455,508)	\$203,282	(\$252,226)

17. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2001, 2000 and 1999 were ¥5,328 million (\$42,968 thousand), ¥5,970 million and ¥4,820 million, respectively.

18. Leased Assets

The Company leases certain office space, employee residential facilities, and computer and transportation equipment. Some leased computer and transportation equipment are held under capital leases. Other leases are classified as operating leases.

On April 23, 1996, the Company entered into a long-term lease agreement for a building and land in Mitaka, Tokyo. The lease agreement extends for 30 years beginning May 1, 1996. For financial reporting purposes, the portion of the lease relating to the building has been classified as a capital lease; accordingly, an asset of approximately ¥5,086 million (\$41,016 thousand) has been recorded in the building and improvements account. The portion of the lease relating to the land has been classified as an operating lease. The future minimum lease payments for the site at March 31, 2001 were ¥8,212 million (\$66,226 thousand).

A summary of leased assets under capital leases at March 31, 2001 and 2000 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31 2001	2000	March 31 2001
Buildings and improvements.....	¥ 5,086	¥ 5,086	\$ 41,016
Machinery, equipment and automobiles.....	11,718	11,349	94,500
Intangible and others.....	172	222	1,387
Accumulated depreciation.....	(7,308)	(6,620)	(58,935)
	¥ 9,668	¥10,037	\$ 77,968

Depreciation expenses under capital leases for the years ended March 31, 2001, 2000 and 1999 were ¥2,890 million (\$23,306 thousand), ¥2,527 million and ¥2,426 million, respectively.

The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments at March 31, 2001:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2002.....	¥ 2,878	\$ 23,210
2003.....	2,067	16,669
2004.....	1,358	10,951
2005.....	804	6,484
2006.....	480	3,871
Later years.....	7,173	57,847
Total minimum lease payments.....	14,760	119,032
Less: Amount representing interest.....	4,487	36,186
Present value of net minimum lease payments (Note 11).....	10,273	82,846
Less: Current obligations.....	2,469	19,911
Long-term capital lease obligations.....	¥ 7,804	\$ 62,935

Rental expenses under operating leases for the years ended March 31, 2001, 2000 and 1999 were ¥12,151 million (\$97,992 thousand), ¥12,534 million and ¥10,458 million, respectively. A significant portion of such rentals relates to cancelable short-term leases for office space and employee residential facilities, many of which are renewed upon expiration.

On December 8, 2000, the Company entered into a lease agreement for a building and land in Shibuya, Tokyo. The lease agreement extends for 20 years beginning December 8, 2000. For financial reporting purposes, the lease has been classified as an operating lease. Based on the agreement, annual lease payments for the site are approximately ¥1,339 million (\$10,798 thousand) over a 20-year period.

The future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at March 31, 2001 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2002.....	¥ 1,801	\$ 14,524
2003.....	1,744	14,065
2004.....	1,686	13,597
2005.....	1,667	13,444
2006.....	1,666	13,435
Later years.....	26,245	211,653
Total future minimum lease payments ...	¥34,809	\$280,718

19. Financial Instruments

The Company has certain financial instruments including financial assets and liabilities and off-balance-sheet financial instruments incurred in the normal course of business. Although the Company may be exposed to losses in the event of non-performance by counterparties, it does not anticipate significant losses due to the nature of its counterparties.

Following are explanatory notes regarding the financial assets and liabilities and off-balance-sheet financial instruments excluding debt and equity securities which are disclosed in Note 8.

(1) Cash and Cash Equivalents; Time Deposits; Cash Deposits; Notes and Accounts Receivable, Trade; Due from Subscribers; Short-Term Receivables; Bank Loans; Notes and Accounts Payable, Trade; Deposits Received; and Accrued Payrolls

The carrying amounts approximate fair value because of the short maturities of such instruments.

(2) Long-Term Receivables

Long-term receivables include loans to real estate investment companies of ¥43,769 million (\$352,976 thousand) at March 31, 2001, which are primarily mortgage loans on land and commercial buildings. The mortgage loans are scheduled to mature over a period from two to 10 years with interest rates ranging from 6.0 to 7.0 percent. The fair values of long-term receivables would need to be calculated based on the present value of the future cash flows based on estimated maturity and estimated market discount rates. However, these estimated market discount rates are subjective in terms of each borrower's credit risks and involve uncertainties and matters of significant judgement. Therefore, it is not practicable to estimate the fair value of long-term receivables to the Company.

(3) Long-Term Debt including Current Portion

The fair value of long-term debt including current portion was estimated based on the discounted amounts of future cash flows using the Company's current incremental borrowing rates for similar liabilities. The estimated fair values of total long-term

debt including current portion and excluding obligations under capital lease at March 31, 2001 and 2000 were ¥29,027 million (\$234,089 thousand) and ¥18,982 million, respectively. As long-term interest rates have not fluctuated significantly in recent years in Japan, the carrying amounts of obligations under capital lease approximate estimated fair value.

(4) Interest Rate Swap Agreements

An overseas subsidiary enters into interest rate swap agreements to manage interest rate exposures arising in the normal course of business. These agreements, amounting to ¥10,000 million (\$80,645 thousand), are designed to limit exposures to losses resulting from fluctuations in LIBOR-based interest rates related to investment securities and notes debt. These agreements are scheduled to mature in 2002 and 2003.

On December 22, 1999, the parent company and its two Japanese subsidiaries entered into interest rate swap agreements, amounting to ¥10,000 million (\$80,645 thousand) related to LIBOR-based floating interest rate investment securities, whereby the parent company and its two Japanese subsidiaries pay a LIBOR-based floating rate of interest and receive a long-term based floating swap rate. The Company believes that the long-term based floating swap rate will provide higher interest income to the Company compared to the LIBOR-based floating rate. This swap agreement is designed to replace LIBOR-based interest income with long-term swap rate interest income for the investment securities. This agreement is scheduled to mature in 2004.

The total notional value of interest rate swap agreements in effect at March 31, 2001 and 2000 totaled ¥21,118 million (\$170,306 thousand) and ¥21,183 million, respectively, of which ¥5,000 million (\$40,323 thousand) will mature by 2002, ¥5,000 million (\$40,323 thousand) will mature by 2003, ¥10,000 million (\$80,645 thousand) will mature by 2004 and ¥1,118 million (\$9,016 thousand) will mature by 2010. The amounts to be paid or received under the interest rate swap agreements are recognized over the terms of the agreements. The estimated fair values of such agreements, based on the discounted future cash flows of the differentials, were insignificant at March 31, 2001 and 2000, respectively.

20. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2001 for the purchase of property, plant and equipment approximated ¥1,463 million (\$11,798 thousand).

Contingent liabilities at March 31, 2001 for guarantees given in the ordinary course of business amounted to approximately ¥52,546 million (\$423,758 thousand).

On May 21, 2001, the Japan Fair Trade Commission concluded a one year investigation and advised 11 companies including one of the Company's subsidiaries, Pasco, to remove unfair competitive practices concerning the tender for aerial surveying and mapping services which was placed an order by Miyagi and Fukushima prefecture bureaus. On May 30, 2001, Pasco accepted the advice. The advice resulted in the suspension of Pasco's right to submit tenders for certain government agency projects. The Company management considers that this suspension will not have a material adverse effect on the Company's future consolidated results of operations and consolidated financial position,

although Pasco's results of operations may be affected. The Company management has reinforced its organization to ensure that its business practices rigorously conform with commercial laws and regulations.

21. Free Share Distributions of less than 25 Percent

The method of accounting for the Company's less than 25 percent free share distributions is described in Note 2. Had the Company accounted for such free share distributions made during the period from 1974 to 1990 in the manner used by companies in the United States of America, ¥98,388 million (\$793,452 thousand) would have been transferred from retained earnings to the appropriate capital accounts. However, there would be no effect on total shareholders' equity.

22. Gain on Sale of Subsidiaries' Shares

On August 31, 1998, The Westec Security Group, Inc. ("Westec"), a wholly owned subsidiary in the United States of America, sold all of the outstanding shares of Westec Residential Security, Inc. and all of the outstanding shares of Valley Burglar & Fire Alarm Company, Inc. to Edison Select for an aggregate sales price of ¥37,025 million (\$298,589 thousand) in cash. The sale resulted in a gain in the aggregate of ¥22,828 million (\$184,097 thousand).

On October 1, 1998, the parent company sold all of the outstanding shares of Tokyo Internet Corporation to PSINet Japan Inc. for ¥17,834 million (\$143,823 thousand). The sale resulted in a gain of ¥13,054 million (\$105,274 thousand). The Company recognized a further gain of ¥496 million (\$4,000 thousand) for the year ended March 31, 2001 in accordance with the final sales price.

On October 15, 1999, Secom Techno Service Co., Ltd. ("Secom Techno"), a 98.3 percent owned subsidiary, completed an initial public offering on the Second Section of the Tokyo Stock Exchange. In conjunction with the offering, the parent company sold 2,000,000 outstanding shares of Secom Techno for a sales price of ¥4,512 million (\$36,387 thousand). Through a secondary offering, Secom Techno issued an additional 2,000,000 shares for total proceeds of ¥4,512 million (\$36,387 thousand). As a result of these transactions, the parent company's ownership in Secom Techno declined to 67.8 percent. The resulting pre-tax gains on the sale of subsidiary shares and new issuance of Secom Techno's shares of ¥2,313 million (\$18,653 thousand) and ¥1,978 million (\$15,952 thousand), respectively, are recognized in the consolidated statement of income for the year ended March 31, 2000. In the consolidated statement of cash flows for the year ended March 31, 2000, the gain on sale of subsidiary shares are excluded from cash flows from operating activities and the related cash proceeds are classified in the cash flows from investing activities. The cash proceeds from the new issuance by Secom Techno to minority shareholders are classified in the cash flows from financing activities.

On April 28, 2000, Westec sold all of the outstanding shares of Westec Business Security, Inc. to ADT Security Services, Inc. for an aggregate sales price of ¥1,016 million (\$8,194 thousand) in cash. The sale resulted in a gain of ¥571 million (\$4,605 thousand). The sales price is subject to a final sales price adjustment.

23. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	2001	2000	1999	2001
Cash paid during the year for:				
Interest.....	¥ 1,883	¥ 1,509	¥ 1,599	\$ 15,185
Income taxes.....	¥25,762	¥ 30,841	¥ 37,209	\$207,758
Non-cash investing and financing activities:				
Conversion of convertible bond to common stock and additional paid-in capital ...	¥ 60	¥ 774	¥ 766	\$ 484
Additions to obligations under capital leases.....	¥ 2,654	¥ 3,344	¥ 2,032	\$ 21,403
Acquisition—				
Fair value of assets acquired.....	¥ 7,550	¥ 48,579	¥112,362	\$ 60,887
Cash paid for capital stock.....	(3,980)	(15,000)	(9,029)	(32,097)
Minority shareholders' interest.....	—	(4,541)	(3,739)	—
Net liabilities assumed.....	¥ 3,570	¥ 29,038	¥ 99,594	\$ 28,790

24. Segment Information

Effective for the year ended March 31, 1999, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", which requires disclosure of financial and descriptive information about the Company's reportable operating segments. The operating segments reported below are the segments of the Company for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and assess performance.

The Company has four reportable business segments: security services, medical services, insurance services, and information and communication related and other services.

The security services segment provides various types of security services by utilizing the Company's unique security systems and manufactures and sells security equipment. The medical services segment provides intravenous solutions to patients at home, home-based nursing care services and medical data transmission services by utilizing the Company's network. The insurance services segment represents non-life insurance-related underwriting business in the Japanese market. The information and communication related and other services segment represents the Company's network business, aerial surveying and mapping services, and Geographic Information System services as well as development and sale of real estate services. The Company develops real estate, principally condominiums, for consumers, to promote a network of integrated communication systems to create synergies with home security services. These communication services are considered a subset or an integrated part of the real estate package.

Revenues and other income by segment include interest income and other revenue reasonably allocated to the segments. Corporate revenues include interest income, investment income,

net exchange gains and dividend income from companies unaffiliated with the parent company or Westec, a wholly owned subsidiary as a holding company in the United States of America. Corporate expenses include general and administrative expenses, amortization of deferred assets and net exchange losses of these two companies.

Intersegment sales are priced on a basis intended to approximate amounts charged to unaffiliated customers.

Identifiable assets are those assets used exclusively in the operations of each segment or which are allocated when used jointly. Corporate assets, which are held by the above two companies for general and administrative facilities, consist principally of cash and cash equivalents, short-term investments, investment securities, land, buildings, machinery and equipment.

Information by business and geographic segments for the years ended March 31, 2001, 2000 and 1999 is as follows:

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	2001	2000	1999	2001
Revenue and other income:				
Security services—				
Customers	¥316,139	¥295,834	¥293,104	\$2,549,508
Intersegment	1,285	3,305	975	10,363
	317,424	299,139	294,079	2,559,871
Medical services—				
Customers	6,347	1,326	1,075	51,186
Intersegment	147	140	117	1,185
	6,494	1,466	1,192	52,371
Insurance services—				
Customers	22,681	30,435	4,775	182,911
Intersegment	2,030	2,250	2,099	16,371
	24,711	32,685	6,874	199,282
Information and communication related and other services—				
Customers	92,552	72,684	55,367	746,387
Intersegment	5,715	1,821	2,989	46,089
	98,267	74,505	58,356	792,476
Total.....	446,896	407,795	360,501	3,604,000
Eliminations	(9,177)	(7,516)	(6,180)	(74,008)
Corporate items.....	29,952	12,118	39,825	241,548
Consolidated revenue and other income	¥467,671	¥412,397	¥394,146	\$3,771,540
Income (loss) before income taxes:				
Security services.....	¥ 77,389	¥ 76,073	¥ 69,890	\$ 624,104
Medical services	(1,522)	(566)	(1,053)	(12,274)
Insurance services.....	(1,627)	4,455	265	(13,121)
Information and communication related and other services.....	366	2,137	(978)	2,952
Total.....	74,606	82,099	68,124	601,661
Corporate items and eliminations	9,865	(8,063)	15,647	79,557
Interest expense	(1,812)	(1,229)	(1,078)	(14,613)
Consolidated income before income taxes....	¥ 82,659	¥ 72,807	¥ 82,693	\$ 666,605



	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2001	2000	1999	2001
Assets:				
Security services.....	¥369,582	¥322,681	¥311,339	\$2,980,500
Medical services	11,241	2,061	1,462	90,653
Insurance services.....	199,308	142,289	113,210	1,607,323
Information and communication related and other services.....	137,362	154,045	51,396	1,107,758
Total.....	717,493	621,076	477,407	5,786,234
Corporate items.....	118,292	133,522	141,037	953,968
Investments in and loans to affiliated companies.....	32,419	24,950	25,010	261,443
Total assets	¥868,204	¥779,548	¥643,454	\$7,001,645

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2001	2000	1999	2001

Depreciation and amortization:				
Security services.....	¥39,005	¥31,361	¥28,913	\$314,556
Medical services	546	94	69	4,403
Insurance services.....	381	(625)	3	3,073
Information and communication related and other services.....	4,039	3,234	1,315	32,573
Total.....	43,971	34,064	30,300	354,605
Corporate items.....	804	168	242	6,484
Total depreciation and amortization.....	¥44,775	¥34,232	¥30,542	\$361,089

Capital expenditures:				
Security services.....	¥48,220	¥36,459	¥42,758	\$388,872
Medical services	376	132	79	3,032
Insurance services.....	61	278	—	492
Information and communication related and other services.....	3,634	3,449	1,119	29,306
Total.....	52,291	40,318	43,956	421,702
Corporate items.....	2,769	983	1,542	22,330
Total capital expenditures	¥55,060	¥41,301	¥45,498	\$444,032

The capital expenditures in the above table represent the additions to property, plant and equipment of each segment.

The Company has no single customer that accounts for more than 10 percent of total revenue.

The following table is a breakdown of security services revenue to external customers by service category. The security services business is managed as a single operating segment by the Company's management.

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2001	2000	1999	2001
Electronic security services:				
Commercial security and home security	¥230,763	¥221,765	¥219,670	\$1,860,992
Large-scale proprietary systems ...	3,647	3,773	4,223	29,411
Other security services:				
Static guard services....	32,204	31,663	30,178	259,710
Armored car services...	15,109	13,540	12,275	121,847
Merchandise and other ...	34,416	25,093	26,758	277,548
Total security services	¥316,139	¥295,834	¥293,104	\$2,549,508

(2) Geographic Segment Information

Revenue and other income attributed to countries based on location of customers and long-lived assets for the years ended March 31, 2001, 2000 and 1999 was as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2001	2000	1999	2001
Revenue and other income:				
Japan.....	¥455,001	¥398,838	¥349,702	\$3,669,363
United States	3,585	4,330	33,580	28,911
Others.....	9,085	9,229	10,864	73,266
Total	¥467,671	¥412,397	¥394,146	\$3,771,540

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2001	2000	1999	2001
Long-lived assets:				
Japan.....	¥232,325	¥191,628	¥169,737	\$1,873,589
United States	497	536	584	4,008
Others.....	5,924	6,134	6,627	47,774
Total	¥238,746	¥198,298	¥176,948	\$1,925,371

There are no individually material countries with respect to revenue and other income and long-lived assets included in other areas.

25. Subsequent Event

On June 27, 2001, the parent company issued a 0.53 percent fixed rate straight bond, aggregating ¥30,000 million (\$241,935 thousand), due on June 27, 2006 in compliance with the Board resolution on June 5, 2001. The proceeds are to be used for capital expenditures and operating activities.



The Board of Directors and Shareholders
Secom Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Secom Co., Ltd. and subsidiaries as of March 31, 2001, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The accompanying consolidated financial statements of Secom Co., Ltd. and subsidiaries as of March 31, 2000 and for each of the two years in the period then ended, were audited by other auditors whose report dated May 15, 2000, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the fiscal 2001 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Secom Co., Ltd. and subsidiaries as of March 31, 2001, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 (12) to the consolidated financial statements, the Company changed its method of revenue recognition in fiscal 2001.

The accompanying consolidated financial statements as of and for the year ended March 31, 2001 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis set forth in Note 3 of the notes to consolidated financial statements.

Tokyo, Japan

May 15, 2001, except as to Notes 20 and 25, which are as of May 30, 2001 and June 27, 2001, respectively

SUMMARY OF SELECTED FINANCIAL DATA

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

In millions of yen

	2001	2000	1999	1998	1997	1996
Composition of consolidated revenue and other income by segment						
Revenue and other income	¥467,671	¥412,397	¥394,146	¥322,804	¥303,796	¥281,547
Security services:	316,139	295,834	293,104	282,066	266,209	248,406
As a percentage of revenue and other income.....	67.6%	71.8%	74.4%	87.3%	87.7%	88.2%
Electronic security services—						
Commercial security and home security	230,763	221,765	219,670	209,855	199,498	184,657
As a percentage of revenue and other income.....	49.3	53.8	55.7	65.0	65.7	65.6
Large-scale proprietary systems.....	3,647	3,773	4,223	4,264	3,980	4,028
As a percentage of revenue and other income.....	0.8	0.9	1.1	1.3	1.3	1.4
Subtotal	234,410	225,538	223,893	214,119	203,478	188,685
Other security services—						
Static guard services.....	32,204	31,663	30,178	28,852	26,487	24,768
As a percentage of revenue and other income.....	6.9	7.7	7.7	8.9	8.7	8.8
Armored car services.....	15,109	13,540	12,275	11,522	10,558	9,566
As a percentage of revenue and other income.....	3.2	3.3	3.1	3.6	3.5	3.4
Subtotal	47,313	45,203	42,453	40,374	37,045	34,334
Merchandise and other	34,416	25,093	26,758	27,573	25,686	25,387
As a percentage of revenue and other income.....	7.4	6.1	6.8	8.5	8.5	9.0
Medical services.....	6,347	1,326	1,075	855	681	532
As a percentage of revenue and other income.....	1.4	0.3	0.3	0.3	0.2	0.2
Insurance services.....	22,681	30,435	4,775	5,365	4,633	3,917
As a percentage of revenue and other income.....	4.8	7.4	1.2	1.7	1.5	1.4
Information and communication related and other services.....	92,552	72,684	55,367	30,910	29,301	19,353
As a percentage of revenue and other income.....	19.8	17.6	14.0	9.6	9.7	6.9
Corporate items.....	29,952	12,118	39,825	3,608	2,972	9,339
As a percentage of revenue and other income.....	6.4	2.9	10.1	1.1	0.9	3.3
Net income, cash dividends and shareholders' equity						
Net income	¥ 44,118	¥ 47,432	¥ 49,918	¥ 18,990	¥ 22,798	¥ 23,264
Cash dividends (paid) ⁽³⁾	9,323	8,146	7,555	6,972	5,719	5,459
Shareholders' equity	377,532	373,912	327,147	283,840	284,634	260,854
Consolidated financial ratios						
Percentage of working capital accounted for by:						
Debt—						
Bank loans.....	14.9	15.7	8.4	5.7	8.3	8.8
Current portion of long-term debt.....	2.9	1.2	2.5	1.7	2.3	5.2
Convertible bonds	0.1	0.1	0.3	0.6	0.7	0.9
Other long-term debt.....	4.8	4.8	5.2	6.4	3.7	3.4
Total debt.....	22.7	21.8	16.4	14.4	15.0	18.3
Shareholders' equity.....	77.3	78.2	83.6	85.6	85.0	81.7
Total capitalization.....	100.0	100.0	100.0	100.0	100.0	100.0
Return on total assets (percent) (a)	5.1	6.1	7.8	4.0	4.9	5.3
Return on equity (percent) (b).....	11.7	12.7	15.3	6.7	8.0	8.9
Percent of revenue and other income absorbed by:						
Depreciation and amortization.....	9.6	8.3	7.8	9.2	9.5	11.5
Rental expense	2.6	3.0	2.7	3.2	3.4	3.7
Ratio of accumulated depreciation to depreciable assets (percent)						
.....	61.5	63.8	62.1	61.7	60.8	60.6
Net property turnover (times).....	2.36	2.42	2.53	2.15	2.27	2.22
Before-tax interest coverage (times) (c).....	46.6	60.2	77.7	50.3	46.4	37.8
Before-tax interest and rental coverage (times) (d)	15.1	14.5	19.1	12.5	12.7	11.6

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

	2001	2000	1999	1998	1997	1996
Number of shares outstanding⁽¹⁾						
Issued	233,099,744	233,075,442	116,392,109	116,233,393	116,203,824	114,378,620
Owned by the Company	510	4,840	11,817	3,185	2,926	2,016
Balance	233,099,234	233,070,602	116,380,292	116,230,208	116,200,898	114,376,604
Per share information⁽¹⁾						
Basic net income per share (in yen) ⁽²⁾	¥ 189.28	¥ 203.67	¥ 214.51	¥ 81.70	¥ 98.69	¥ 102.09
Cash dividends paid per share (in yen) ⁽³⁾	40.00	35.00	32.50	30.00	25.00	24.00
Shareholders' equity per share (in yen) ⁽⁴⁾	1,619.62	1,604.29	1,405.51	1,221.03	1,224.75	1,140.33
Cash flow per share (in yen) ^{(2) (e)}	341.38	310.63	310.76	177.01	193.68	219.14
Price/Book value ratio	4.38	5.49	3.99	3.34	2.84	3.06
Price/Earnings ratio	37.51	43.21	26.15	49.88	35.21	34.23
Price/Cash flow ratio	20.80	28.33	18.05	23.02	17.94	15.95
Stock price at year-end (in yen)	7,100	8,800	5,610	4,075	3,475	3,495

Notes: (a) Net income/Total assets
(b) Net income/Shareholders' equity
(c) (Income before income taxes + Interest expense)/Interest expense
(d) (Income before income taxes + Interest expense + 1/3 Rental expense)/(Interest expense + 1/3 Rental expense)
(e) (Net income + Depreciation and amortization - Dividend approved) / Average number of shares outstanding during each period

(1) Per share amounts have been adjusted to reflect the impact of a stock split on November 19, 1999. The number of shares outstanding at the end of each year ended March 31, has not been adjusted to reflect this stock split.
(2) Per share amounts are based on the average number of shares outstanding during each period.
(3) Subsequent to March 31, 2001, cash dividends of ¥9,324 million (¥40 per share) were approved at the general shareholders' meeting on June 28, 2001 (see Note 16 of the accompanying notes to consolidated financial statements).
(4) Per share amounts are based on the number of shares outstanding at the end of each period, minus treasury stock.

COMMON STOCK DATA

SECOM CO., LTD.
Years ended March 31

SHAREHOLDER INFORMATION

	2001	2000	1999	1998	1997	1996
Number of shareholders	15,621	15,019	9,458	9,911	10,849	11,223
Common shares held by:						
Financial institutions	44.44%	42.74%	45.71%	44.26%	42.57%	40.00%
Securities firms	1.73	2.66	0.90	0.98	1.31	1.35
Other corporations	13.84	13.86	13.67	13.73	14.05	14.49
Foreign investors	25.76	25.96	26.90	27.40	27.03	28.04
Individuals and others	14.23	14.78	12.82	13.63	15.04	16.12
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

PRICE INFORMATION (TOKYO STOCK EXCHANGE)

		Price per share		Nikkei stock average	
		High	Low	High	Low
1999	April–June	¥13,370	¥10,630	¥17,782.79	¥15,972.68
	July–September	22,150	8,150	18,532.58	16,821.06
	October–December	12,640	9,300	18,934.34	17,254.17
2000	January–March	11,490	7,650	20,706.65	18,168.27
	April–June	9,380	6,880	20,833.21	16,008.14
	July–September	8,800	6,050	17,614.66	15,626.96
	October–December	9,050	6,700	16,149.08	13,423.21
2001	January–March	7,900	6,050	14,032.42	11,819.70

Note: Price amounts have not been adjusted to reflect a two-for-one stock split, which was reflected in the market from September 27, 1999.

COMMON STOCK ISSUES

Date	Additional shares issued (In thousands)	Shares outstanding after issue (In thousands)	Share capital after issue (In thousands of yen)	Allotment ratio to shareholders	Remarks
June 15, 1974	1,968	9,200	¥ 460,000	—	Issue at market price (¥900)
Dec. 21, 1974	2,760	11,960	598,000	3 for 10	Stock split
May 21, 1975	1,196	13,156	657,800	1 for 10	Stock split
May 21, 1975	1,244	14,400	720,000	—	Issue at market price (¥1,134)
Dec. 1, 1975	4,320	18,720	936,000	3 for 10	Stock split
May 31, 1976	1,880	20,600	1,030,000	—	Issue at market price (¥2,570)
June 1, 1976	2,060	22,660	1,133,000	1 for 10	Stock split
Dec. 1, 1976	6,798	29,458	1,472,900	3 for 10	Stock split
Nov. 30, 1977	2,042	31,500	1,575,000	—	Issue at market price (¥1,700)
Dec. 1, 1977	6,300	37,800	1,890,000	2 for 10	Stock split
Dec. 1, 1978	7,560	45,360	2,268,000	2 for 10	Stock split
June 1, 1981	3,000	48,360	2,418,000	—	Issue at market price (¥2,230)
Dec. 1, 1981	4,836	53,196	2,659,800	1 for 10	Stock split
Jan. 20, 1983	5,320	58,516	3,000,000	1 for 10	Stock split
Nov. 30, 1983	194	58,710	3,280,942	—	Conversion of convertible bonds
Nov. 30, 1984	1,418	60,128	5,329,282	—	Conversion of convertible bonds
Nov. 30, 1985	186	60,314	5,602,945	—	Conversion of convertible bonds
Jan. 20, 1986	6,031	66,345	5,602,945	1 for 10	Stock split
Nov. 30, 1986	2,878	69,223	11,269,932	—	Conversion of convertible bonds
Nov. 30, 1987	1,609	70,832	15,021,200	—	Conversion of convertible bonds
Jan. 20, 1988	3,541	74,373	15,021,200	0.5 for 10	Stock split
Nov. 30, 1988	439	74,812	16,063,099	—	Conversion of convertible bonds
Nov. 30, 1989	1,808	76,620	21,573,139	—	Conversion of convertible bonds
Jan. 19, 1990	22,986	99,606	21,573,139	3 for 10	Stock split
Mar. 31, 1990	1,446	101,052	25,070,104	—	Conversion of convertible bonds
Mar. 31, 1991	2,949	104,001	32,244,732	—	Conversion of convertible bonds
Mar. 31, 1992	2,035	106,036	37,338,751	—	Conversion of convertible bonds
Mar. 31, 1993	267	106,303	37,991,568	—	Conversion of convertible bonds
Mar. 31, 1994	6,986	113,289	56,756,263	—	Conversion of convertible bonds
Mar. 31, 1995	477	113,766	58,214,178	—	Conversion of convertible bonds
Mar. 31, 1996	613	114,379	59,865,105	—	Conversion of convertible bonds
Mar. 31, 1997	1,825	116,204	65,253,137	—	Conversion of convertible bonds
Mar. 31, 1998	29	116,233	65,327,060	—	Conversion of convertible bonds
Mar. 31, 1999	159	116,392	65,709,927	—	Conversion of convertible bonds
Nov. 19, 1999	116,410	232,802	65,709,927	10 for 10*	Stock split
Mar. 31, 2000	273	233,075	66,096,852	—	Conversion of convertible bonds
Mar. 31, 2001	25	233,100	66,126,854	—	Conversion of convertible bonds

Note: The above is a record of SECOM's common stock issues since the common stock was listed on the Tokyo Stock Exchange in June 1974.

*One share was split into two.