

Consolidated financial report for the fiscal year ended March 31, 2000

May 25, 2000

Company name: Secom Co., Ltd.
 Code number: 9735 Tokyo Stock Exchange ----- First Section
 Osaka Stock Exchange ----- First Section
 Corporate headquarters: 26-2, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo
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 Date approved by Board of Directors: May 25, 2000

1. Summary of the consolidated financial statements for the fiscal year ended March 31, 2000
 (April 1, 1999 ~ March 31, 2000)

(1) Operating results (Figures rounded down to the nearest million)

	For the fiscal year ended March 31	
	1999	2000
Revenue	¥352,361 million	¥410,492 million
Percent change from the previous year	11.3%	16.5%
Operating Income	¥54,724 million	¥61,515 million
Percent change from the previous year	1.5%	12.4%
Ordinary Income	¥53,352 million	¥68,997 million
Percent change from the previous year	(0.8)%	29.3%
Net Income	¥49,093 million	¥42,817 million
Percent change from the previous year	145.4%	(12.8)%

Earnings Per Share	¥421.95	¥183.86
Diluted Earnings Per Share	¥420.97	¥183.58
ROE	15.5%	12.1%
ROA	9.8%	9.9%
Ordinary Income/ Revenue	15.1%	16.8%

Note 1. Equity in net gains of affiliated companies:

For the year ended March 31, 2000: ¥1,130 million

For the year ended March 31, 1999: ¥840 million

Note 2. Net unrealized gain in debt and equity securities:

As at March 31, 2000: ¥63,640 million

Loss on revaluation of derivatives:

As at March 31, 2000: ¥19 million

Note 3. Change in accounting policy: None

Note 4. Figures, earnings per share for the fiscal year ended March 31, 2000, are calculated upon the number of shares after the stock split at the beginning of the period, due to the stock split at November 19, 1999.

(2) Financial conditions (Figures rounded down to the nearest million)

	March 31, 1999	March 31, 2000
Total assets	¥627,066 million	¥764,491 million
Shareholders' equity	¥337,513 million	¥372,773 million
Shareholders' equity/ Total assets	53.8%	43.8%
Shareholders' equity per share	¥2,900.09	¥1,599.40

(3) Cash flow activities (Figures rounded down to the nearest million)

	For the fiscal year ended March 31, 2000
Cash flows from operating activities	¥68,862 million
Cash flows from investing activities	¥(82,980) million
Cash flows from financing activities	¥14,693 million
Cash and cash equivalents at end of year	¥131,329 million

(4) Consolidated subsidiaries and affiliated companies:

	Additions	Deletions	As at March 31, 2000
Number of consolidated subsidiaries	14	3	100
Number of affiliated companies	12	4	39

2. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2001, and the six-month period ending September 30, 2000 (April 1, 2000 - March 31, 2001).

	For the fiscal year ending March 31, 2001	For the six-month period ending September 30, 2000
Revenue	¥475,501 million	¥224,140 million
Ordinary Income	¥70,886 million	¥32,926 million
Net Income	¥36,027 million	¥16,054 million

Reference: Expected earnings per share ¥154.58

The SECOM Group

The SECOM Group (The Group) is composed of SECOM Co., Ltd. (the Company), one hundred subsidiaries, and thirty-nine affiliated companies. The Group continues its advance on several business fronts, such as security services, medical services including home-based medical services and remote image diagnosis support, insurance services centered on non-life insurance services, and information and communication related and other services including network services and software development.

The Group companies are classified into the following operating segments.

● Security services segment

Various types of security services including the Company's main service, on-line centralized security systems, are domestically provided by the Company, the subsidiaries and the affiliated companies. The domestic subsidiaries include Secom Joshinetsu Co., Ltd., Secom Hokuriku Co., Ltd., Secom Yamanashi Co., Ltd., Secom Mie Co., Ltd., Secom Jastic Co., Ltd., and a further twenty companies. The domestic affiliated companies are Japan Nuclear Security System Co., Ltd. and a further five companies. The Company offers technical consultation and sells security merchandise to them.

Also, on-line centralized security systems and static guard services are provided in overseas countries. Westec Interactive Security, Inc., Westec Business Security, Inc., and four other subsidiaries operate in the United States, Secom Plc and two other subsidiaries in the United Kingdom, and Shanghai Secom Security Co., Ltd. and five other subsidiaries in the People's Republic of China. Subsidiaries also operate in Indonesia, Australia and Thailand. S1 Corporation in South Korea, Taiwan Secom Co., Ltd., and another three overseas affiliated companies operate in their own countries.

Moreover, the following three subsidiaries and affiliated company and another ten firms support the security services of the Group's domestic companies.

Secom Techno Service Co., Ltd. installs and maintains security equipment through which the Group provides its services.

Secom Industries Co., Ltd. develops and manufactures security equipment that the Group utilizes.

Secom Equipment Sales Corporation sells a variety of security equipment. The Company purchases some of it from this firm.

An affiliated company, Nohmi Bosai Ltd., manufactures and sells a range of protection equipment against fire and some of its products are purchased by the Company.

- **Medical services segment**

The Company offers remote image diagnosis support services, a domestic subsidiary, Secom Home Medical System Co., Ltd., provides home-based medical services, and Secom Kampo System Co., Ltd. sells traditional Chinese medicines and provides database services of alternative medicine.

- **Insurance services segment**

The domestic subsidiary, Secom Toyo General Insurance Co., Ltd. (its name was changed to Secom General Insurance Co., Ltd. on May 5, 2000), provides non-life insurance services, and another domestic subsidiary, Secom Insurance Service Co., Ltd., is an insurance agency.

Overseas subsidiary, SIS Insurance Pte Ltd., is also a re-insurance agency.

- **Information and communication related and other services segment**

The domestic subsidiary, Secom Information System Co., Ltd., manages computer systems for the Group, develops and sells software, and sells computer hardware.

Secomnet Co., Ltd. (its name was changed to SECOM Trust. net Co., Ltd. on April 7, 2000) provides network services and database services and sells computer systems.

Pasco Corporation provides surveying services via aerial photographs and develops and sells Geographic Information System services.

Secom Lines Co., Ltd. sells education systems such as online home education services and consigns part of the sales to the Company.

Eclairer Co., Ltd. and Secom Asahi Co., Ltd. develop and sell real estate mainly packaged with home security systems.

The following are the domestic affiliated companies. Miyagi Network Inc. offers cable television services in the Sendai area, Musashino-Mitaka Cable Television Inc. provides cable television and Internet services in the Mitaka area, and Japan Image Communications Co., Ltd., provides program content to satellite broadcasting.

Overseas subsidiary P.T. Nusantara Systems International develops and sells software.

Management Policy

1. Basic management policy

Secom's overall aim is to realize its vision of establishing the Social System Industry within the social infrastructure of a new society, using its security network to launch new services and systems.

2. Basic policy on the distribution of profits

Secom recognizes returning profits to shareholders as its most critical matter and distributes profits taking into account expansion of services, revenue trends, dividend payout, and the amount of retained earnings.

We utilize retained earnings for investments in promising new businesses with a view of further expanding our operations, and for intensive research and development to facilitate the extension of high-quality security systems, equipment and services.

Secom made a two-for-one stock split on November 19, 1999, to shareholders of record at the close of business on September 30, 1999.

3. Management Strategy and Steps to Take

In this rapidly changing society, social concern over security is becoming increasingly diversified and highly-developed as people's values change and diversify. Concerns over "Health", "Medical Care", "Insurance", "Cyber Security" and "Geographic Information System (GIS)" are also heightening in the same way.

We consider meeting these diverse needs of society under these circumstances in a more speedy, defined, and flexible manner, offering attractive services and products, as SECOM's mission in its on-going objective to build and expand the "Social System Industry."

In order to perform this mission, SECOM will actively pursue its operations toward the 21st century. We will be promoting intensive R&D to facilitate the extension of high-quality security systems, equipment and services. We recognize the considerable untapped demand in our core existing businesses, and will thus focus on enhancing capabilities and improving efficiency in these areas. At the same time, we will further expand our operations by investing in promising new ventures. In addition, we will actively expand innovative operations by reforming our processes and organization, and building an efficient high-quality management system and infrastructure, coupled with our existing operations. To ensure rapid adjustment to the changing environment, SECOM will regard "speed" as a crucial management factor.

Operating results

1. Results and review

There are indications that the economy will recover due to increasing capital investment and corporate profitability guided by government fiscal policies, although low individual earnings adversely affected consumer spending. However, the speed of recovery is still sluggish.

Under these circumstances, we continued our advance on several business fronts, focusing on improving service quality, developing new products and services, and accelerating research and development in order to realize our Social System Industry vision.

In the security service field, we introduced several new services and products. Foremost among them is the Secom IX, an on-line visual security system for commercial facilities offering around-the-clock services. We also released the Super CCTV system, a closed-circuit surveillance camera system, which detects attempts to tamper with the surveillance camera, and the New Secom MS-2, a comprehensive safety building management system for condominiums. Moreover, our joint research and development with Nohmi Bosai Ltd., affiliated company, enabled us to introduce the MS-2N, a cost-effective version of MS-2, and the Tomahawk PS, an automatic fire-detection and fire-extinguishing system for parking garages.

In the medical services field, Secom Home Medical System Co., Ltd. opened a nursing station, the Secom Shinjuku Nurse Station, which accepts patients on the basis of the social security system.

In the information and communication related and other services field, we started several new services. In the cyber security field, we started on-line certificate authorization and intrusion detection services. In the real estate field, We established Secom Asahi Co., Ltd., which sells and develops condominiums, in collaboration with Asahi Tatemono Co., Ltd. We added another valuable component to the Social System Industry by taking a majority stake in Pasco, Japan's leading provider of survey and GIS services, bringing it into the SECOM Group in August 1999.

On another note, Secom Techno Service Co., Ltd., a subsidiary which specializes in security system installation, building maintenance and security system sales, was listed in the second section of the Tokyo Stock Exchange, becoming the first domestic SECOM Group company to go public.

As a result of these activities, revenue increased 16.5%, to ¥410,492 million. Ordinary income grew 29.3%, to ¥68,997 million. Net income was ¥42,817 million, 12.8% down from the previous year because ¥36,017 million was accounted for by sales of shares held in subsidiaries in the previous year.

Revenue from security services improved 1.3%, to ¥295,314 million, although revenue from subsidiaries in the United States decreased approximately ¥8 billion due to the sale of all shares in U.S. subsidiaries Westec Residential Security, Inc., and Valley Burglar and Fire Alarm Co., Inc. Operating income from security services also improved 4.6%, to ¥75,183 million.

Revenue from medical services, mainly from home medical services, gained 23.9%, to ¥1,316 million, while operating losses from medical services were ¥893 million.

Revenue from insurance services was ¥39,420 million due to the consolidation of Secom Toyo General Insurance Co., Ltd., while operating losses from insurance services were ¥1,851 million.

Revenue from information and communication related and other services rose 35.0%, to ¥74,440 million, partly because Pasco Corporation became a consolidated subsidiary. Operating income from information and communication related and other services amounted to ¥1,597 million, up from operating losses of ¥1,816 million in the previous year.

2. Outlook

Although the prospect for Japan's economy continues to be in a stage of recovery, its condition is still unclear. Under these circumstances, SECOM will actively promote its business in order to build and expand its "Social Security Industry" centered on security by strengthening its business operations, improving quality of service, developing advanced systems and developing efficient management resources.

With a contribution of favorable progress in security services and also with a full contribution from Pasco Corporation and Secom Asahi Co., Ltd., which became our subsidiary last fiscal year, we predict our next period's sales to be: revenue of ¥475,501million, ordinary profit of ¥70,886million, and net income of ¥36,027million.

Applying new Employers' Accounting for Pensions, the amount of the projected benefit obligation in excess of plan assets (pension liability difference) will be approximately ¥33 billion. In the case of SECOM, this amount will be amortized in a lump sum (¥23,317 million) by utilizing certain marketable securities for an employee retirement benefit trust. In the case of Secom Techno Service Co., Ltd., the amount of ¥1,744million will be amortized in a lump sum, and other subsidiaries will amortize its amount over 5 years.

Consolidated Balance Sheets

(in millions of yen)

	March 31, 1999	March 31, 2000	Change from the previous year
Assets:			
Current assets:	344,656	418,870	74,213
Cash on hand and in banks	151,627	156,888	5,260
Call loan	-	11,000	11,000
Notes and accounts receivable, trade	15,334	45,112	29,778
Due from subscribers	11,588	11,713	125
Marketable securities	113,321	98,479	(14,842)
Inventories	24,186	52,400	28,213
Deferred income taxes	2,595	5,541	2,946
Other current assets	27,593	38,707	11,114
Allowance for doubtful accounts	(1,590)	(973)	617
Fixed assets:	270,589	325,541	54,952
Tangible assets:	151,752	166,085	14,333
Buildings and improvements	30,291	33,180	2,888
Signal equipment on subscribers' premises	48,283	51,912	3,628
Control station signal equipment	16,374	16,608	234
Land	41,239	45,318	4,079
Other tangible assets	15,563	19,065	3,501
Intangible assets	14,711	23,193	8,481
Investments and others:	104,124	136,262	32,138
Investment securities	51,482	70,170	18,688
Long-term loans receivable	21,238	34,020	12,782
Deferred income taxes	5,954	12,736	6,781
Other investments	27,069	24,972	(2,096)
Allowance for doubtful accounts	(1,619)	(5,637)	(4,017)
Deferred assets:	666	1,294	627
Foreign currency transaction adjustments:	11,153	18,784	7,631
Total assets	627,066	764,491	137,425

Liabilities:			
Current liabilities:	147,208	214,261	67,052
Notes payable and accounts payable	9,691	16,342	6,650
Bank loans	40,676	77,896	37,219
Current portion of convertible bonds	4	-	(4)
Payables-other	11,031	35,803	24,771
Income taxes payable	16,940	13,647	(3,293)
Consumption taxes payable	2,514	2,939	424
Accrued expenses	8,617	9,899	1,281
Deferred revenue - service charges	23,749	26,087	2,337
Other current liabilities	33,979	31,646	(2,333)
Fixed liabilities:	128,790	150,014	21,223
Straight bonds	10,000	10,000	0
Convertible bonds	1,347	578	(769)
Long-term loans	2,468	4,934	2,465
Guarantee deposits received from subscribers	16,410	17,086	675
Accrued severance indemnities	2,191	2,651	459
Unearned premiums and other insurance liabilities	95,320	112,831	17,510
Other fixed liabilities	1,051	1,932	880
Total liabilities	275,999	364,275	88,276
Minority shareholders' equity in subsidiaries:	13,553	27,442	13,889
Shareholders' equity:			
Common stock	65,709	66,096	386
Additional paid-in capital	81,781	82,272	490
Retained earnings	190,141	224,446	34,305
	337,633	372,816	35,182
Common stock in treasury, at cost	(119)	(42)	76
Total shareholders' equity	337,513	372,773	35,259
Total liabilities, minority shareholders' equity in subsidiaries and shareholders' equity	627,066	764,491	137,425

Consolidated Statements of Income

(in millions of yen)

	For the fiscal year ended March 31, 1999	For the fiscal year ended March 31, 2000	Change from the previous year
Revenue:	352,361	410,492	58,130
Costs of revenue	204,203	245,317	
Gross Profit	148,157	165,174	17,016
Selling, general and administrative expenses	93,433	103,658	
Operating income	54,724	61,515	6,791
Non-operating income:	6,738	15,894	
Non-operating expenses:	8,110	8,411	
Ordinary income	53,352	68,997	15,645
Extraordinary income:	36,017	6,739	
Extraordinary losses:	4,622	4,170	
Income before income taxes	84,746	71,566	(13,180)
Income taxes - current	34,945	27,395	
Income taxes - deferred	(531)	(1,757)	
Minority interest in subsidiaries	1,238	3,111	
Net income	49,093	42,817	(6,276)
Retained earnings at beginning of the period	152,172	190,141	
Cash dividends	7,554	8,146	
Directors' bonuses	280	261	
Transfer to additional paid-in capital	3,288	104	
Retained earnings at end of the period	190,141	224,446	

Consolidated Statements of Cash Flows

(in millions of yen)

	For the fiscal year ended March 31, 2000
Cash flows from operating activities:	
Income before income taxes	71,566
Depreciation	35,150
Amortization of goodwill	1,803
Equity in net gains of affiliated companies	(1,130)
Decrease in allowance for doubtful accounts	(914)
Decrease in accrued severance indemnities	(233)
Interest and dividend income	(5,557)
Interest expenses	1,057
Exchange losses	624
Net loss on sales and disposal of tangible assets	1,586
Gain on sales of investment securities	(1,029)
Loss on revaluation of investment securities	1,649
Gain on sales of investment in affiliates' securities	(4,424)
Increase in notes and accounts receivable, trade, and due from subscribers	(18,320)
Increase in inventories	(26,349)
Increase in accounts payable	27,114
Increase in unearned premiums and other insurance liabilities	14,268
Other	(1,675)
Subtotal	95,185
Interest and dividend received	5,590
Interests paid	(1,073)
Income taxes paid	(30,841)
Net cash provided by operating activities	68,862
Cash flows from investing activities:	
Decrease in time deposits	1,618
Increase in marketable securities	(26,225)
Payments for purchases of tangible assets	(40,114)
Proceeds from sales of tangible assets	1,551
Payments for investments in securities	(1,737)
Proceeds from sales of investment in securities	2,331
Payments for investments in subsidiaries' securities	(679)
Proceeds from sales of investment in subsidiaries' securities	4,597
Increase in short-term loans receivable (net increase)	(1,148)
Loans receivable	(24,825)
Repayment of long-term loans receivable	14,552
Increase in other assets (net increase)	(3,259)
Payments for acquisition of consolidated subsidiaries	(9,639)
Net cash used in investing activities	(82,980)
Cash flows from financing activities:	
Increase in bank loans (net increase)	17,160
Proceeds from long-term loans	2,614
Repayments of long-term loans	(2,064)
Proceeds from paid-in-capital by minority shareholders	5,442
Dividends paid	(8,146)
Dividends paid for minority shareholders	(389)
Decrease in treasury stock	76
Net cash provided by financing activities	14,693
Effect of exchange rate changes on cash and cash equivalents	(629)
Net decrease in cash and cash equivalents	(54)
Cash and cash equivalents at beginning of year	131,186
Net increase of cash and cash equivalents in transaction of consolidation	197
Cash and cash equivalents at end of year	131,329