

ANNUAL REPORT 2005

Year ended March 31, 2005

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

PROFILE

Since its establishment in 1962, SECOM CO., LTD., a pioneer in Japan's security services industry, has earned a solid reputation by developing innovative products and services that truly benefit society. SECOM's achievements to date have transformed it into a provider of security and peace of mind and supported steady growth.

SECOM—the parent company and the companies of the SECOM Group—continues to pursue a wide range of initiatives aimed at realizing its vision for the future: the Social System Industry, a new framework of services created by integrating SECOM's products and services into distinctive packages that contribute to a world free of apprehension for its customers. SECOM has capitalized on its exceptional capabilities to expand beyond security services into such areas as medical, insurance, information and geographic information system (GIS) services. Today, SECOM is also striving to improve marketing capabilities and operating efficiency, thus positioning it for further growth.

SECOM has expanded into overseas markets, establishing an extensive network of subsidiaries and affiliates in Taiwan, the Republic of Korea (ROK), Thailand, Malaysia, Singapore, Indonesia, the People's Republic of China (PRC), the United States, the United Kingdom and Australia. These companies primarily provide highly respected security services. SECOM is focusing particularly on the high-growth PRC market, and has established a network of subsidiaries and affiliates in major coastal cities.

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HIGHLIGHTS



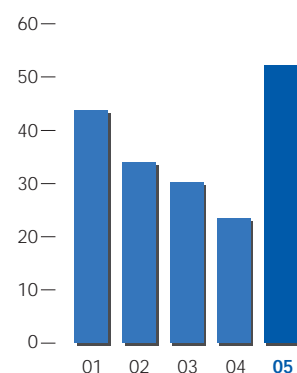
SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2005

This table shows key financial highlights calculated using accounting principles generally accepted in the United States (U.S. GAAP).

U.S. GAAP	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2005	2004	2003	2005
Net sales and operating revenue	¥ 552,354	¥ 517,435	¥ 497,691	\$ 5,162,187
Operating income	75,558	54,065	61,922	706,150
Net income	52,133	23,479	30,275	487,224
Total assets	1,164,204	1,165,105	1,158,082	10,880,411
Total shareholders' equity	457,837	415,852	372,518	4,278,851
			In yen	In U.S. dollars
Per share of common stock:				
Net income (basic)	¥ 231.66	¥ 104.32	¥ 132.87	\$ 2.17
Cash dividends paid	45.00	40.00	40.00	0.42
Shareholders' equity	2,034.63	1,847.80	1,655.04	19.02

- Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of ¥107=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2005.
2. Net income per share of common stock is based on the average number of shares outstanding during each period.
3. Shareholders' equity per share of common stock is based on the number of shares outstanding at the end of each period, minus treasury stock.
4. Subsequent to March 31, 2005, cash dividends of ¥50.00 per share were approved at the general shareholders' meeting held on June 29, 2005 (see Note 17 of the accompanying notes to the consolidated financial statements).
5. The consolidated statements of income were reclassified in the year ended March 31, 2005.
6. In the year ended March 31, 2005, firm gains in revenue in all segments, particularly security services, supported a rise in net sales and operating revenue of ¥34.9 billion, to ¥552.4 billion. Operating income increased ¥21.5 billion, to ¥75.6 billion, reflecting higher net sales and operating revenue, as well as the absence of ¥8.8 billion in losses recorded a year earlier owing to a revision of pension plans. Net income totaled ¥52.1 billion, up ¥28.7 billion, as a result of such factors as improved operating income and ¥9.9 billion in income from discontinued operations, net of tax, compared with a ¥4.2 billion loss a year earlier.

Net Income (U.S. GAAP)
(In billions of yen)



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

Japanese GAAP	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2005	2004	2003	2005
Revenue	¥ 547,230	¥ 527,409	¥ 523,271	\$ 5,114,299
Operating profit	83,043	81,286	72,902	776,103
Ordinary profit	83,478	76,243	70,063	780,168
Net income	48,517	41,111	35,583	453,430
Total assets	1,097,548	1,092,067	1,090,131	10,257,458
Total shareholders' equity	441,927	403,257	369,753	4,130,159
			In yen	In U.S. dollars
Per share of common stock:				
Net income (basic)	¥ 214.41	¥ 181.40	¥ 154.96	\$ 2.00
Cash dividends paid	45.00	40.00	40.00	0.42
Shareholders' equity	1,962.74	1,790.58	1,641.53	18.34

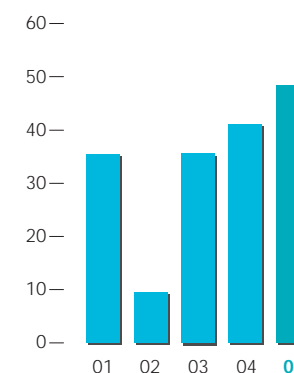
The Company reported record-high revenue, operating profit and ordinary profit based on Japanese GAAP in the year ended March 31, 2005. Cash dividends of ¥50.00 per share were declared in the year ended March 31, 2006, an increase of ¥5.00 from the year ended March 31, 2005.

Note: Japanese GAAP was amended in the year ended March 31, 2001, with the adoption of accounting standards for pension benefits.

In the year ended March 31, 2002, the Company revised its pension plans and changed the accounting method for unrecognized actuarial gains and losses. Unrecognized actuarial gains and losses, which had been amortized using the straight-line method over the average remaining service period prior to the year ended March 31, 2002, were charged to income on an "as-incurred" basis. The Company also recorded unrecognized transition assets/obligations as a one-time charge to income. In addition, prior service costs were charged to income on an as-incurred basis. This resulted in a decrease in income before income taxes of ¥35.0 billion.

One-time recognition on an as-incurred basis for pension benefits is not permitted under U.S. GAAP. Accordingly, unrecognized actuarial gains and losses, unrecognized transition assets/obligations and prior service costs were amortized in the accompanying consolidated financial statements prepared under U.S. GAAP.

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



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