

Semiannual Report
2002

For the Six Months
ended September 30, 2002

■ PROFILE

Established in 1962 as Japan's first security services firm, SECOM CO., LTD., has continued to develop innovative products and services that are truly beneficial to society and have redefined the boundaries of the security industry.

The expansion of its security services has enabled SECOM to build an extensive proprietary information network. Today, the Company is capitalizing on this network to realize its vision for the future—the Social System Industry, a new business framework created through the provision of comprehensive, integrated services and systems that make life more secure, convenient and comfortable. To this end, the Company has expanded its focus to include information, medical, education, insurance and geographic information system (GIS) services.

SECOM's global network currently encompasses security services companies in Taiwan, the Republic of Korea, Thailand, Malaysia, Singapore, Indonesia, the People's Republic of China (PRC), the United States, the United Kingdom and Australia.

NONCONSOLIDATED FINANCIAL HIGHLIGHTS

SECOM CO., LTD.

Six months ended September 30, 2002, 2001 and 2000

	In millions of yen			In thousands of U.S. dollars
	2002	2001	2000	2002
Revenue	¥137,436	¥135,575	¥126,142	\$1,126,525
Income before income taxes	29,672	28,826	28,754	243,213
Net income	17,714	17,325	17,217	145,197
Net income per share (yen and U.S. dollars)	¥ 76.82	¥ 74.32	¥ 73.87	\$ 0.63

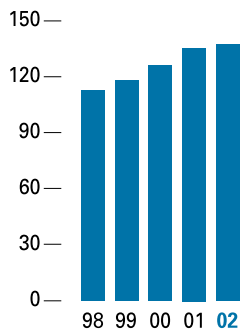
Notes: 1. Net income per share figures are in exact yen and U.S. dollars.

2. All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥122=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2002.

3. Net income per share amounts are based on the average number of shares outstanding during each period.

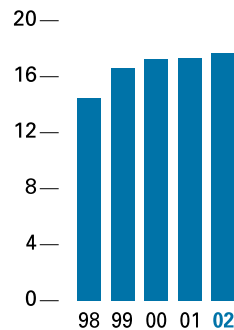
Nonconsolidated Revenue

(In billions of yen)



Nonconsolidated Net Income

(In billions of yen)



■ TO OUR SHAREHOLDERS

The sluggish economy presented SECOM with a challenging business environment in the six months ended September 30, 2002. A soft stock market, constrained capital investment and lackluster personal consumption continued to hold the Japanese economy in check. Against this backdrop, we sought to take the Social System Industry to the next level by enhancing existing services, fortifying our competitive edge, heightening efficiency and responding to society's changing needs with new products and services. These efforts yielded a 1.4% increase in nonconsolidated revenue, to ¥137.4 billion. Operating income rose 5.0%, to ¥29.2 billion, while net income grew 2.2%, to ¥17.7 billion. Net income per share for the period was ¥76.82, up from ¥74.32.

Electronic Security Services

We achieved a 3.6% increase in revenue from electronic security services, to ¥103.6 billion. This category, comprising the provision of commercial security and home security and large-scale proprietary systems, represented 75.4% of nonconsolidated revenue. Revenue from commercial security and home security services, the category's main profit item, climbed 3.7%, to ¥102.0 billion.

Other Security Services

Revenue in this category eased 0.2%, to ¥20.7 billion, and accounted for 15.0% of nonconsolidated revenue. Within this, revenue from static guard services rose 0.5%, to ¥8.9 billion, while armored car services revenue advanced 4.8%, to ¥7.3 billion.

Sales of Merchandise

Sales of closed-circuit television surveillance cameras, access-control systems, automatic fire-detection and extinguishing systems and intruder-detection systems fell 11.7%, to ¥13.1 billion. This category accounted for 9.5% of nonconsolidated revenue.

Business Development

Society's expectations regarding safety and security are becoming increasingly sophisticated and diverse. These trends are creating broad opportunities for the SECOM Group to integrate products and services and expand its operations in pursuit of the Social System Industry vision.

To tap new demand, we introduced a series of innovations and upgrades in the security services segment during the period under review. We began marketing SECOM DX, a new on-line centralized system that uses integrated-circuit (IC) sticks as access-control devices to heighten both security and user convenience in stores, offices, warehouses and factories. Responding swiftly to a rash of recent cash dispenser burglaries involving heavy machinery, we launched an automated teller machine (ATM) building security system that detects the approach of such machinery and relays images to our control centers. In a related move, we developed a new robot for transporting cash and valuables that recognizes and tracks its human escorts and can navigate slopes, traverse steps and avoid physical obstacles. On another front, we augmented our COCO-SECOM mobile security services with COCO-SECOM G-Manager. This service provides managers with valuable logistical support by allowing them to simultaneously track multiple moving objects, such as entire sales forces or vehicle fleets.

In the medical services segment, we continued to take steps aimed at further integrating our medical, health and personal care services businesses, which are provided by subsidiary Secom Medical System Co., Ltd., established in the previous fiscal year. We also reinforced our home nursing services, whereby nurses visit patients at home and, under the guidance of doctors, observe their medical conditions and assist them by treating bedsores, managing catheters and helping with rehabilitation. We continue to expand our network of visiting nurse stations, thereby enabling us to extend home nursing services that fall under

the national health insurance and long-term care insurance programs in more communities. Our medical system software integrates various types of patient-related administrative information and keeps it current, greatly increasing hospital efficiency.

We have been broadening our lineup of automotive, casualty and comprehensive insurance policies in recent years. During the period, we continued to market the MED-COM medical care policy, which provides unrestricted access to cutting-edge treatments and medical consultation for cancer patients.

In the information services field, we obtained certification from the Japanese government to offer digital authentication services through our SECOM Passport for G-ID service, which issues and manages digital identification certificates on behalf of local governments that have e-government programs. We also launched SECOM Data Safe, a repository that offers high-security data storage, protecting personal and corporate data from both cyber and physical risks.

Computer-aided learning systems are the core activity of our education services. This period we continued to market these popular systems to schools.


In the GIS services field, we offer specialized services based on aerial mapping and GIS technologies. We assist governments at the national and local levels with PasCAL, a comprehensive GIS service integrating various types of data with digital maps to assist with the extension of social services. For the private sector, we provide Management Navigation Service, a tailored decision-support tool featuring digital maps superimposed with the customer's own data and figures. We are ramping up our offerings in this area. New services include an innovative and affordably priced global positioning system (GPS) module developed by subsidiary Pasco Corporation that is an estimated 10 times more accurate than the GPS units currently used in automobile navigation systems.

Future Challenges

Society's expectations regarding safety and security continue to evolve. We are committed to responding to changing demand and realizing the Social System Industry by both reinforcing our existing services and developing a wide variety of innovative services and systems.

We are presently at the second stage of developing the Social System Industry vision to its full potential. At this stage, we are concentrating on integrating our businesses and realizing synergies to produce growth opportunities. Our focus remains clear—we will respond to the need for security and peace of mind by striving to develop value-added services that transcend conventional boundaries and truly benefit society. We will continue to succeed by communicating our corporate philosophy and the Social System Industry vision throughout all levels of the organization. We look forward to your ongoing support as we strive to maximize the value of the company for all shareholders.

January 2003



Makoto Iida
Founder



Toshitaka Sugimachi
Chairman



Shohei Kimura
President and Representative Director

NONCONSOLIDATED BALANCE SHEETS

SECOM CO., LTD.
September 30, 2002 and 2001

ASSETS	In millions of yen		In thousands of U.S. dollars
	2002	2001	2002
Current assets:			
Cash on hand and in banks	¥ 94,075	¥ 79,879	\$ 771,106
Due from subscribers	8,271	7,630	67,795
Marketable securities	451	15,880	3,697
Other current assets	61,517	68,140	504,238
Total current assets	164,314	171,529	1,346,836
Fixed assets:			
Tangible assets:			
Security equipment and control stations	62,146	—	509,393
Signal equipment on subscribers' premises	—	56,316	—
Control station signal equipment	—	18,988	—
Other tangible assets	69,051	71,122	565,992
Intangible assets	13,951	14,378	114,353
Investments and other:			
Investments in subsidiaries	132,997	124,108	1,090,139
Long-term loans receivable	9,786	13,203	80,213
Lease deposits	8,494	8,692	69,623
Other	100,630	66,564	824,836
Total fixed assets	397,055	373,371	3,254,549
Total assets	¥561,369	¥544,900	\$4,601,385
Accumulated depreciation on tangible fixed assets	¥146,478	¥211,271	\$1,200,639

LIABILITIES AND SHAREHOLDERS' EQUITY	In millions of yen		In thousands of U.S. dollars
	2002	2001	2002
Current liabilities:			
Bank loans	¥ 51,132	¥ 19,737	\$ 419,115
Current portion of long-term debt	0	466	0
Accrued expenses	575	626	4,713
Deferred revenue—service charges	21,036	20,052	172,426
Income taxes payable	12,989	14,948	106,467
Other current liabilities	42,181	41,217	345,746
Total current liabilities	127,913	97,046	1,048,467
Fixed liabilities:			
Straight bonds	30,000	30,000	245,902
Convertible bonds	18	18	148
Guarantee deposits received	16,710	16,198	136,967
Other fixed liabilities	27,238	4,779	223,262
Total fixed liabilities	73,966	50,995	606,279
Total liabilities	201,879	148,041	1,654,746
Shareholders' equity:			
Common stock	66,369	66,144	544,008
Capital surplus:			
Additional paid-in capital	82,545	82,320	676,598
Earned surplus:			
Legal reserve	9,028	9,028	74,000
Voluntary reserve	3,040	3,040	24,918
Unappropriated retained earnings	241,465	233,641	1,979,221
Unrealized gains on securities	731	2,686	5,992
Common stock in treasury, at cost	(43,688)	—	(358,098)
Total shareholders' equity	359,490	396,859	2,946,639
Total liabilities and shareholders' equity	¥561,369	¥544,900	\$4,601,385

NONCONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD.

Six months ended September 30, 2002 and 2001

	In millions of yen		In thousands of U.S. dollars
	2002	2001	2002
Revenue	¥137,436	¥135,575	\$1,126,525
Costs	74,420	74,355	610,000
Selling, general and administrative expenses	33,854	33,439	277,492
Operating income	29,162	27,781	239,033
Other income—net	1,047	1,629	8,582
Ordinary income	30,209	29,410	247,615
Extraordinary income	6,399	—	52,451
Extraordinary loss	6,936	584	56,853
Income before income taxes	29,672	28,826	243,213
Income taxes—current	12,526	14,388	102,672
Income taxes—deferred	(568)	(2,887)	(4,656)
Net income	¥ 17,714	¥ 17,325	\$ 145,197
Net income per share (yen and U.S. dollars)	¥ 76.82	¥ 74.32	\$ 0.63
Average number of shares outstanding (thousands)	230,575	233,108	

COMPOSITION OF NONCONSOLIDATED REVENUE

SECOM CO., LTD.

Six months ended September 30, 2002 and 2001

	In millions of yen		In thousands of U.S. dollars
	2002	2001	2002
Electronic security services:			
Commercial security and home security	¥102,015	¥ 98,330	\$ 836,189
Large-scale proprietary systems	1,629	1,665	13,352
Subtotal	103,644	99,995	849,541
Other security services:			
Static guard services	8,867	8,827	72,681
Armored car services	7,286	6,950	59,721
Other	4,523	4,949	37,074
Subtotal	20,676	20,726	169,476
Total service charges	124,320	120,721	1,019,017
Sales of merchandise	13,116	14,854	107,508
Revenue	¥137,436	¥135,575	\$1,126,525

NOTES TO NONCONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD.

1. Basis of Financial Statements

The accompanying nonconsolidated financial statements have been prepared in conformity with accounting practices ordinarily followed in connection with interim financial statements and translated from the financial statements that are prepared in Japanese and filed with the Prime Minister of Japan and the Tokyo Stock Exchange. Certain modifications as to the presentation of the accompanying financial statements were made to facilitate understanding by non-Japanese readers.

2. U.S. Dollar Amounts

U.S. dollar amounts are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥122=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2002.

■ BOARD OF DIRECTORS

Founder:

Makoto Iida

Co-Founder:

Juichi Toda

Chairman:

Toshitaka Sugimachi

President and Representative Director:

Shohei Kimura

Executive Vice President:

Kanemasa Haraguchi

Senior Executive Director:

Nobuyuki Sasaki

Corporate Auditors:

Takeshi Motohashi

Hisaaki Tanabe

Ken Tsunematsu

Shunzo Tamai

Executive Directors:

Katsuhisa Kuwahara

Teruo Ogino

Seiichiro Kobayashi

Shigemi Tanaka

Shoichi Kake

Shuji Maeda

Katsuo Akiyama

Directors:

Yoichi Tao

Seiichi Mori

Seiji Yamanaka

Shinobu Iida

Yushiro Ito

Fumio Obata

Hiroshi Ito

Shunji Ogahara

Masaaki Saida

Kiyomasa Sugii

(As of January 31, 2003)

SECOM[®]

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