SECOM

Annual Report 2002

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

Established in 1962 as Japan's first security services firm, SECOM CO., LTD., observed its 40th anniversary in 2002. SECOM has continued to develop innovative products and services that are truly beneficial to society and have continued to redefine the boundaries of the security industry, earning SECOM the unwavering support of its customers and facilitating its growth into a major market force.

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 social 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. In 2002, SECOM embarked on the second stage of development of the Social System Industry, the focus of which will be to maximize synergies between its diverse businesses and services.

SECOM has also expanded its operations overseas through a network of subsidiaries and joint ventures. This global network currently encompasses security service 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.

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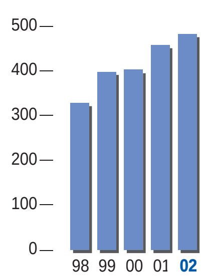
HIGHLIGHTS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2002

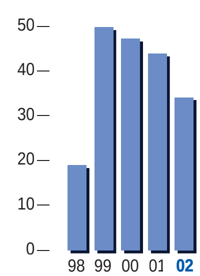
	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2002	2001	2000	2002
Revenue and other income	¥ 493,526	¥468,293	¥412,424	$3,710,722
Net income	34,082	43,996	47,326	256,256
Total assets	1,166,113	882,334	782,222	8,767,767
Total shareholders' equity	401,326	377,304	373,806	3,017,489
			In yen	In U.S. dollars
Per share of common stock:				
Net income (basic)	¥ 146.19	¥ 188.76	¥ 203.22	$ 1.10
Cash dividends paid	40.00	40.00	35.00	0.30
Shareholders' equity	1,720.57	1,618.64	1,603.83	12.94

Notes: 1. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥133=US$1, the rate prevailing on the Tokyo foreign exchange market on March 29, 2002. Billion is used in the American sense of one thousand million.
2. Per share amounts are adjusted for the two-for-one stock split that became effective on November 19, 1999.
3. Net income per share of common stock is based on the average number of shares outstanding during each period.
4. Shareholders' equity per share of common stock is based on the number of shares outstanding at the end of each period, minus treasury stock.
5. Subsequent to March 31, 2002, cash dividends per share of ¥40.00 were approved at the general shareholders' meeting on June 27, 2002 (see Note 16 of the accompanying notes to consolidated financial statements).
6. During the year ended March 31, 2002, the Company changed its reporting entity for specific entities. The consolidated financial statements for all periods presented have been restated as a result.

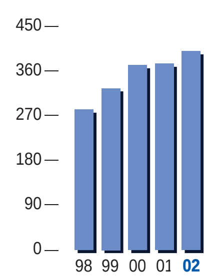
Revenue and Other Income
(In billions of yen)



Net Income
(In billions of yen)



Total Shareholders' Equity
(In billions of yen)



Makoto Iida
Founder

The outlook for Japan's economy remained unclear throughout the fiscal year ended March 31, 2002, reflecting sluggish capital investment, a persistently difficult employment situation and flagging consumer spending. In this environment, SECOM pressed forward with efforts to realize its vision for the future—the Social System Industry. Centered on a groupwide reorganization and the improvement of business processes, these efforts were undertaken with the aim of enhancing existing services, reinforcing marketing and developing new services that better meet the needs of customers. In the period, they contributed to a 5.4% increase in consolidated revenue and other income, to ¥493.5 billion.

Net income decreased 22.5%, to ¥34.1 billion, largely owing to the absence of ¥21.4 billion generated by a gain on securities contribution to employee retirement benefit trust in the previous period. Basic net income per share was ¥146.19, down from ¥188.76. Cash dividends per share of ¥40.00 were approved at the general shareholders' meeting held on June 27, 2002.

Integrating Businesses and Services

To respond to society's increasingly complex needs, we are expanding our security services, while at the same time maximizing synergies among seemingly unrelated businesses, notably those involving security, information, medical, education, insurance and GIS services. We have created the infrastructure necessary for the establishment of the Social System Industry, and we are now integrating businesses and services that use our network capabilities to provide innovative, practical services and systems, thereby creating new value. We believe the time has come to embark on the second stage of development of the Social System Industry. Accordingly, during the period under review we took decisive steps to expand and enhance services. As a consequence, we saw considerable growth in core businesses.

In the security services field, we launched COCO-SECOM in April 2001. COCO-SECOM is a suite of services that combines security with information technology (IT) and GIS services to locate the position of people on the move and mobile objects, such as automobiles. Subsequent additions to the COCO-SECOM lineup include COCO-SECOM Car Alarm 2, which supplements the basic car alarm service with antitheft functions, and COCO-SECOM EZ, Japan's first mobile phone-based medical emergency alert service, which operates with next-generation mobile phones provided by KDDI Corporation, one of Japan's leading telecommunications firms. In the area of home security services, we concluded an agreement with a leading housing construction company, whereby the SECOM Home Security system has been incorporated into the company's housing series. Another highlight of the period was the launch of TOTAX ZETA, a comprehensive large-scale proprietary system that features access via wireless integrated circuit (IC) pass cards and boasts unparalleled flexibility and expandability, making it a highly cost-effective choice for use in industrial complexes and buildings.

In the area of information services, subsidiary SECOM Trust.net Co., Ltd., continued to capitalize on its advanced technological capabilities and expertise to provide a full range of cyber security services, including digital authentication, network security monitoring and consulting. The company won contracts from four leading Japanese financial institutions to provide digital certificate authority hosting services, which encompass the construction and operation of certificate authority services on behalf of customers, for the Identrus B2B e-commerce network. SECOM Trust.net also operates SECOM Secure Data Center, which provides a highly secure operating environment for customers' servers that includes rigorous monitoring of unauthorized access and virus activity. This center is the culmination of SECOM's expertise in physical security, cyber security, networking technology and system operations.

In medical services, we merged our medical services department with three subsidiaries engaged in home nursing services, home personal care services and health foods, to form a new company under the name of Secom Medical System Co., Ltd. In doing so, we created a solid platform for the development of medical, health and personal care services as an integrated business. During the period, we introduced SECOM Ubiquitous Electronic Medical Report (EMR), an innovative report system that combines medical services with IT. We continued to promote the development of SECOM Healthcare Net by linking patients with their primary physicians, and clinics and small hospitals with specialists and large hospitals.

Our education services business centers on subsidiary Secom Lines Co., Ltd. During the period, the company continued to take steps to increase the popularity of our computer-aided learning systems for schools.

In insurance services, subsidiary Secom General Insurance Co., Ltd., augmented its lineup of innovative policies with MEDCOM, an unrestricted treatment policy that gives cancer patients access to cutting-edge courses of treatment not covered by Japan's national health insurance scheme.

Subsidiary Pasco Corporation is Japan's leading purveyor of aerial mapping and GIS services. During the period, Pasco continued to take steps to expand Japan's GIS services market. On February 21, 2002, the company entered into a comprehensive business alliance with Switzerland's Leica Geosystems AG, a global leader in the surveying instruments and systems field. In April 2002, Pasco and ESRI of the United States, the world's largest GIS software developer, established a joint venture, ESRI Japan.

Subsidiary Secom Home Life Co., Ltd., heads our real estate development arm. This company

Toshitaka Sugimachi
Chairman

Shohei Kimura
President and Representative Director

focuses on developing high-grade, safe condominiums with built-in on-line security systems, ensuring safety, security and peace of mind for residents.

In other news, subsidiary Secom Joshinetsu Co., Ltd., which oversees Group operations in Niigata, Nagano and Gunma prefectures, listed its shares on the Second Section of the Tokyo Stock Exchange.

Introducing SECOM's New Management Team

At a meeting of SECOM's Board of Directors on February 22, 2002, a proposal for a reorganization of the Board of Directors was approved. As a consequence, effective April 1, 2002, Toshitaka Sugimachi assumed the post of Chairman and was succeeded as President and Representative Director by Shohei Kimura. The new management team looks forward to building on the accomplishments of its predecessors as SECOM continues to advance the Social System Industry vision.

Embarking on the Second Stage of Development of the Social System Industry

Recognizing the opportunities for growth resulting from the increasing sophistication and diversity of society's expectations regarding safety and security, we have reinforced our services and developed a wide variety of innovative systems. At the same time, we have expanded our focus beyond security services, establishing operations in such areas as information, medical, education, insurance and GIS services.

We have identified the recent management change as the beginning of the Social System Industry's second stage of development. Our efforts at this stage will focus on integrating our business in a manner that enables us to develop new, value-added services. We will continue to be guided by our determination to respond to society's changing safety and security needs, and see that SECOM remains the first choice of people seeking peace of mind. To ensure our future success, we will encourage greater understanding and application of the SECOM philosophy at all levels of our organization and endeavor to maximize synergies among our various businesses, while at the same time providing services and systems that make life more secure, convenient and comfortable.

We recognize that a clear vision encompassing all SECOM employees and all businesses will become increasingly crucial to our ability to maximize internal synergies in the years ahead. Our corporate philosophy, which has remained unchanged since the parent company's founding, emphasizes the importance of transcending established boundaries and engaging in businesses that society values. Accordingly, our business development efforts will continue to reflect our belief in the importance of seeking new challenges and defying conventional wisdom, as well as our commitment to developing products and services that are truly beneficial to society. As we embark on the second stage of the Social System Industry's development, therefore, we are reinforcing the basic principles that have guided us to date to ensure we continue to maintain a corporate culture based on a spirit of innovation and courage.

We recognize the importance of responsive, efficient management in a changing environment, and the need to maximize shareholder value. We will strive to continue meeting the expectations of our shareholders on both counts, and we look forward to your ongoing support.

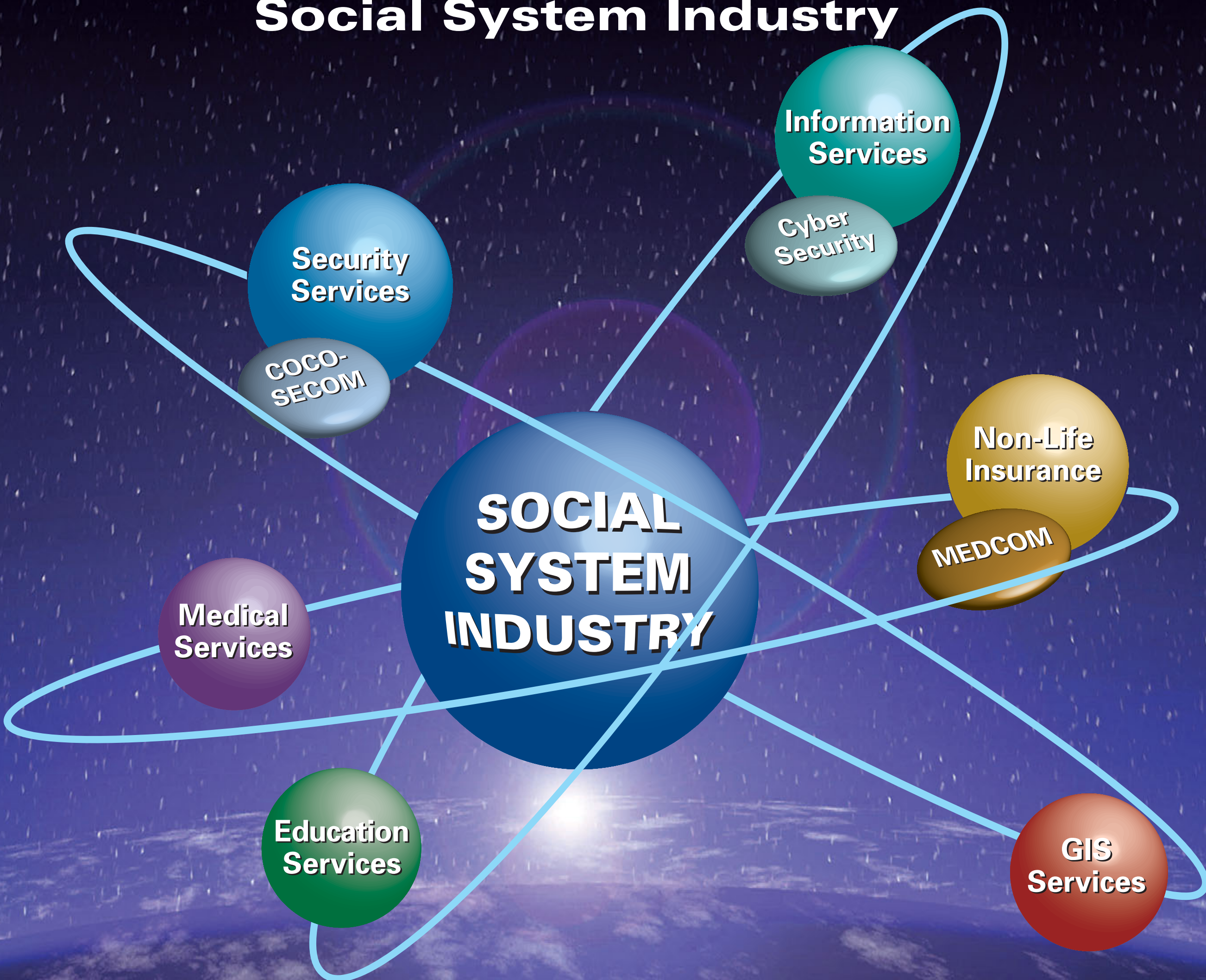
August 30, 2002

Makoto Iida, *Founder*

Toshitaka Sugimachi, *Chairman*

Shohei Kimura, *President and Representative Director*

Integrating SECOM Products and Services: Toward Realization of the Social System Industry



Since SECOM launched its first security systems for commercial establishments, the market for such services has expanded to more than six million locations. The market for home security systems—SECOM's other main line of business—is currently estimated at 47 million households. With the addition of new products and services, such as COCO-SECOM, non-life insurance and medical services, we estimate our total number of potential customers to be more than 100 million—evidence of our ability to tap demand by responding to society's increasingly complex needs.

We continue to expand our operations in pursuit of the Social System Industry vision. In 2002, we commenced the second stage of development of the Social System Industry, the focus of which is to maximize synergies between our diverse businesses and services. We have already made a positive start, developing such innovative services as COCO-SECOM, a suite of services for locating people and property that integrates security with IT and GIS, and MEDCOM, an unrestricted cancer treatment insurance policy that combines insurance and medical expertise. In the following pages, we invite you to take a closer look at these and other recent initiatives.

The Continuing Story of Security System Development at SECOM

Since it was founded, SECOM has brought a succession of groundbreaking new security systems to success, earning the trust of its customers by faithfully offering two things: security and peace of mind. Underpinning this is an unwavering commitment to quality, which we have realized by maintaining control over every aspect of our services—an approach we call the “total package system”—from research and development and the manufacture of sensors and other equipment to planning, installation, 24-hour monitoring, emergency response and maintenance.

The Development Center and the SECOM Intelligence Systems Laboratory allow us to react swiftly to new concepts and respond flexibly to the ever changing needs of society. In recent years, we have integrated breakthroughs in imaging and transmission technologies into on-line security systems, producing the advanced SECOM AX and SECOM IX systems. These revolutionary systems make it possible to offer top-quality security to prevent criminal activity. For customers requiring self-contained systems, we developed and commercialized TOTAX ZETA, which integrates networking capabilities, a security system and various plant management functions into a comprehensive local control system for industrial complexes and buildings.

However, ideas for new services do not come only from leading-edge technology and systems integration.

We are also continually finding new ways to integrate the various functions and capabilities of the SECOM Group to create new services. COCO-SECOM services, which are a recent example, combine security with IT and GIS services to offer security for people on the move and for mobile objects.

SECOM AX and SECOM IX—A New Generation of Security Systems

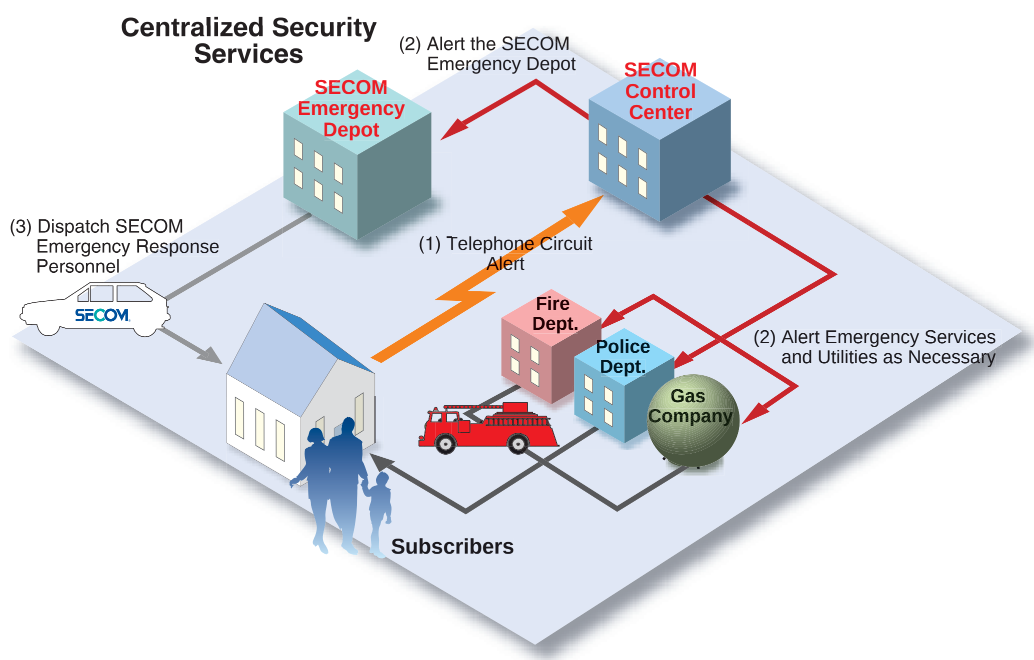
SECOM AX is an innovative security management system incorporating radically new image sensors. It allows SECOM Control Center staff to visually check the subscriber’s premises using on-site image sensors when an emergency situation arises. The image sensors incorporate microphones to enable Control Center staff to communicate with people on the premises. These capabilities allow the staff to quickly and accurately assess the situation, dispatch emergency response personnel if necessary and contact the required authorities. The system also includes speakers on the premises so that intruders can be addressed and crimes avoided.

SECOM IX is a remote imaging system with special functions for preventing robberies and other crimes at late-night retail outlets. It utilizes streaming video images provided by a closed circuit television (CCTV) monitoring system and integrated services digital network (ISDN) transmission capabilities in a two-way security system that monitors premises operating around-the-clock, such as convenience stores, restaurants and gas stations. When on-site personnel observe a crime or feel threatened, they can press an emergency button to commence transmitting images and sound from the premises to our Control Center. Or when loiterers or inebriated customers become troublesome, on-site personnel can press the call button or lift the SECOM Phone handset to request remote monitoring. With either scenario, the Control Center staff can use the speaker mounted in the store to make an announcement and reduce the chances of a crime being committed. As more convenience stores are now being equipped with automated teller machines (ATMs), their security requirements are rising and the number of stores opting to use the SECOM IX system is steadily increasing. Similarly, these systems are being introduced into kindergartens, day care centers and elementary schools to ward off individuals behaving suspiciously or seeking to commit break-ins during daytime operating hours.

TOTAX ZETA—Integrated Security and Equipment Management

SECOM's long-standing expertise in setting up security systems in large-scale complexes has been intricately married with network technologies in the development of TOTAX ZETA, a large-scale proprietary system launched in January 2002.

"Building management system" is a term generally used to refer to the many systems that control building equipment, such as the electrical system, air conditioning, lighting, sanitation, fire control system, antitheft system, access control system, visual monitoring system, communications equipment and elevators. The demands placed on building management systems have been steadily increasing to the point where it has become difficult for any one manufacturer to provide



satisfactory solutions. Moreover, building operators have been looking for systems that will integrate the products of many different manufacturers, allowing them to pick and choose the best equipment for their needs.

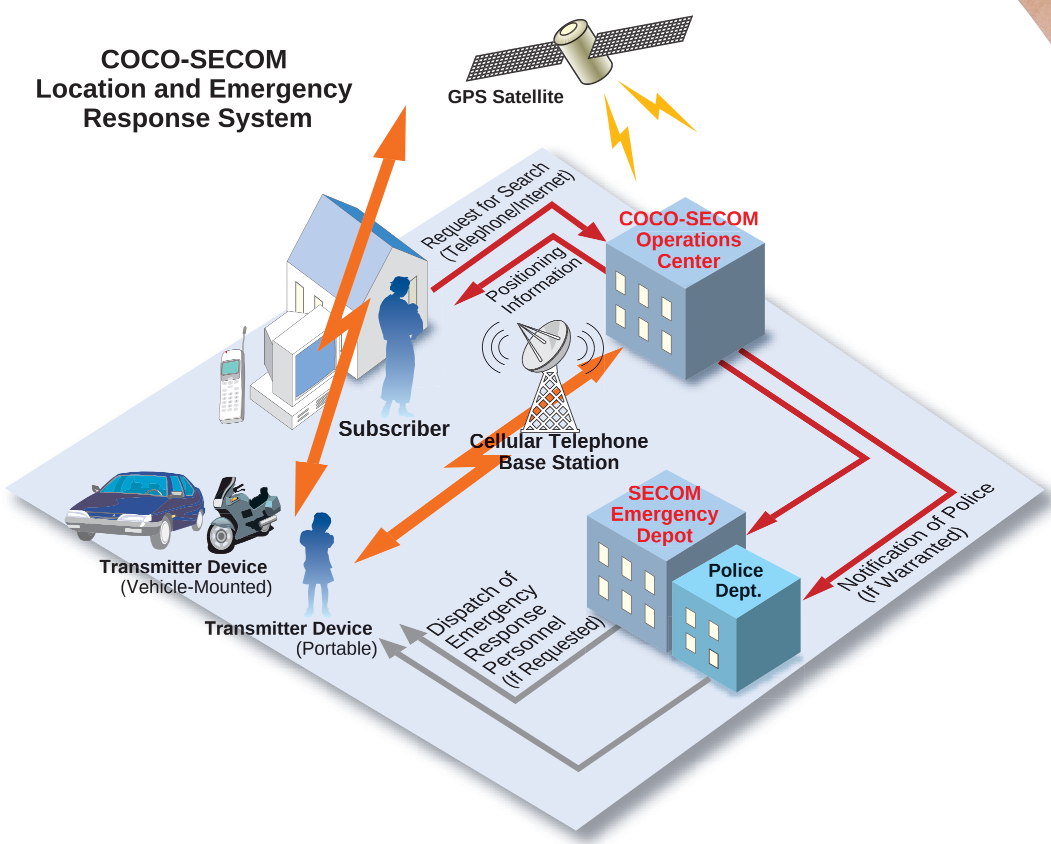
TOTAX ZETA is the solution they have been seeking. This system uses the industry standard communications protocol, BACnet, to make connections with equipment from other manufacturers easy. Orders for this system in Japan's metropolitan areas have been brisk since the product launch.

COCO-SECOM—Integrated Security and GIS

COCO-SECOM is a new suite of services that integrate security with IT and GIS to tap new demand. People, vehicles and precious items are the main focus of these services, which have made steady inroads in the market since their debut in April 2001. COCO-SECOM services are designed to provide solutions to rising concern about people going missing as a result of kidnapping or senile dementia, for example, and to increasing automotive and motorcycle theft. The services have created quite a stir for their novel abilities to locate moving people and vehicles. They incorporate locating technologies based on data from Global Positioning System (GPS) satellites and cellular telephone base stations, together with SECOM's accumulated security know-how, technologies and network expertise. Customers can also request our

emergency response personnel to go to the person or object in question.

Since the services were introduced, more customers have expressed relief at subscribing for them than we ever could have imagined, and we have received numerous requests for new services, which we



are incorporating into a revised service menu. In May 2001, we launched an automobile emergency monitoring service. With this service, an automobile equipped with a tiny mobile transmitter sends a signal to a COCO-SECOM operations center when the vehicle is moved from its parking spot, allowing operations center staff to alert the owner. In September 2001, we introduced COCO-SECOM Car Alarm 2, which adds antitheft functions to the basic service. Suspicious behavior is monitored while the car is parked and an alarm sounds if an emergency is detected. The service was introduced to combat the increase in thefts of luxury vehicles and has been highly successful in reducing customers' concern for their property.

In December 2001, we released COCO-SECOM EZ. This service operates with mobile phones provided by KDDI, adding a medical emergency alert function to the basic COCO-SECOM services. When customers feel ill after leaving home, they can send an emergency alert signal to SECOM by mobile phone, using a very simple procedure. As Japan's first mobile phone-based emergency alert service, COCO-SECOM EZ is attracting considerable attention from all sectors.

We have also launched a COCO-SECOM service for baggage and cargo. On November 27, 2001, a bag containing jewelry worth approximately ¥100 million was stolen from a Shinkansen bullet train at Tokyo Station. Fortunately for the owner, the bag contained a COCO-SECOM transmitter. The thief was caught approximately an hour after notification and the goods were returned to the owner. We were able to use this incident as a very effective promotional tool to market this service to people carrying or transporting cash, jewelry or other precious cargo in bags or briefcases.

In April 2002, at the request of corporate customers, we expanded the COCO-SECOM service menu with the addition of COCO-SECOM G-Manager, which assists in the management of automobile fleets and sales forces. The distinguishing feature of this service is its group search function, which allows the subscriber to pinpoint simultaneously the location of a number of automobiles or people. An extensive selection of packages offers rate options for different requirements, making COCO-SECOM G-Manager an attractive option for most companies. The service is thus contributing significantly to improved efficiency, customer service and security for transport companies, taxi firms and companies with large groups of sales or maintenance staff.

We will continue to add new COCO-SECOM services as we increase our awareness of customer needs, and will ensure these services are affordable and convenient. By doing so, we will continue to tap the growing market for mobile security.

A Solid Platform for Medical Services Development

On March 1, 2002, we reorganized our medical services business by merging our medical services department with three related subsidiaries—Secom Home Medical System Co., Ltd., Secom Care Service Co., Ltd., and Secom Kampo System Co., Ltd.—into a new company under the name of Secom Medical System. This move arose from our realization that a flexible organizational structure would be required to keep decision making apace with the changes in Japan's medical system and the evolving medical services market. As the principal company in our medical services business, Secom Medical System is responsible for planning and coordinating all Group medical services. It is also charged with managing and developing medical, health and personal care services as an integrated business, thereby enabling the Group to ensure the highest standard of service. The company's current operations include pharmaceutical services, home nursing services, home personal care services, health food sales, the Hospinet remote image diagnosis support service, an electronic medical report system and medical equipment sales.

Our pharmaceutical services include preparing intravenous solutions in the SECOM Pharmacy

cleanroom and delivering them to patients' houses, assisting patients to convalesce in the comfort of their own home.

Our home nursing services involve nurses acting under the guidance of patients' primary doctors to visit them at home, observe their medical condition, treat them for bedsores or manage catheters and assist them with rehabilitation. We are expanding our network of visiting nurse stations throughout the country, thereby enabling us to extend home nursing services that fall under the national health insurance and long-term care insurance schemes in more communities.

We also provide Medidata, an on-line home medical support system. This system integrates medical expertise with IT to test and transmit data on physical parameters, including blood pressure, temperature, heart rate and blood oxygen saturation rate. The data obtained by an automated device in the home is transmitted on-line to a nursing facility, where a nurse checks it for abnormalities and reports the results to the subscriber's primary physician. This paves the way for early diagnosis even before a patient may be aware of explicit symptoms.

As the pioneer of home-based medical care in Japan, we provide home personal care services. These include dispatching a helper to assist with personal hygiene, bathing, exercise, meals and other activities required in daily life.

Our medical services business also encompasses SECOM Health Food, a line of health food products

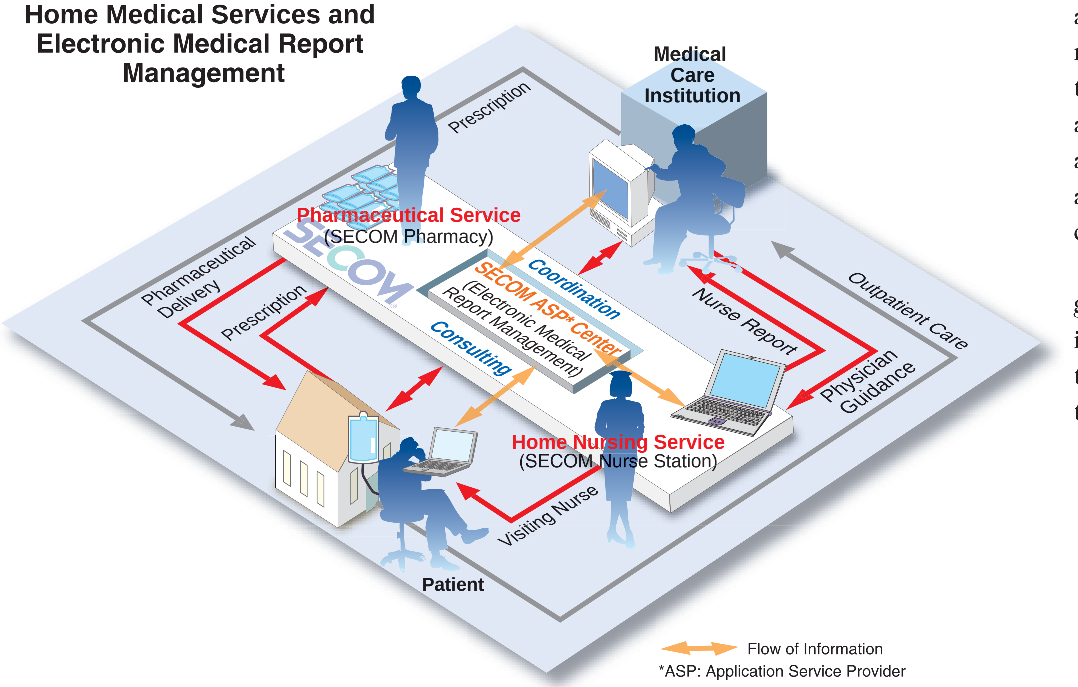
prepared from natural ingredients in accordance with Chinese herbal knowledge.

Hospinet integrates medical services with IT to create Japan's first remote image diagnosis support service. Offered to medical institutions, this service transmits images obtained with medical scanning equipment, such as magnetic resonance imaging (MRI) and computerized tomography (CT) devices, over ISDN circuits to the Hospinet center, where our diagnostic experts examine the data and provide consultation to the primary physician. Hospinet is of great benefit to patients because it assists the primary physician in correctly diagnosing and treating the illness. From the institution's perspective, the service makes efficient use of the advanced diagnostic equipment in the region's hospitals and examination centers.

In March 2002, we launched another system that integrates medical services with IT: SECOM Ubiquitous EMR. Patients recuperating at home require treatment from a team that may involve the primary physician, visiting physicians, visiting nurses and pharmacy. Members of the team must share data about the patient's treatment. SECOM

Ubiquitous EMR is the first electronic report service for home medical care in Japan that supports a team approach. No matter where they happen to be, authorized personnel can quickly obtain and record the information required to treat the patient. We view this service as an essential part of the IT infrastructure for team-oriented medical treatment and, since there are no additional burdens placed on physicians or medical institutions, we believe it will play a critical role in expanding acceptance of home-based medical services.

Home Medical Services and Electronic Medical Report Management



*ASP: Application Service Provider

In our medical equipment business, we are addressing the needs of individuals with disabilities. The My Spoon robot, for example, helps people who have difficulty moving their arms to eat with only minimal movement of one part of the body, essentially eliminating the need for assistance from others. Users can adapt the robot's operational mode and control device to suit their own capabilities and requirements.

As the examples above show, our goal in the medical services business is to provide products and services that contribute in meaningful ways to a higher quality of life.

Packaging Insurance Services—A Complete Continuum of Care

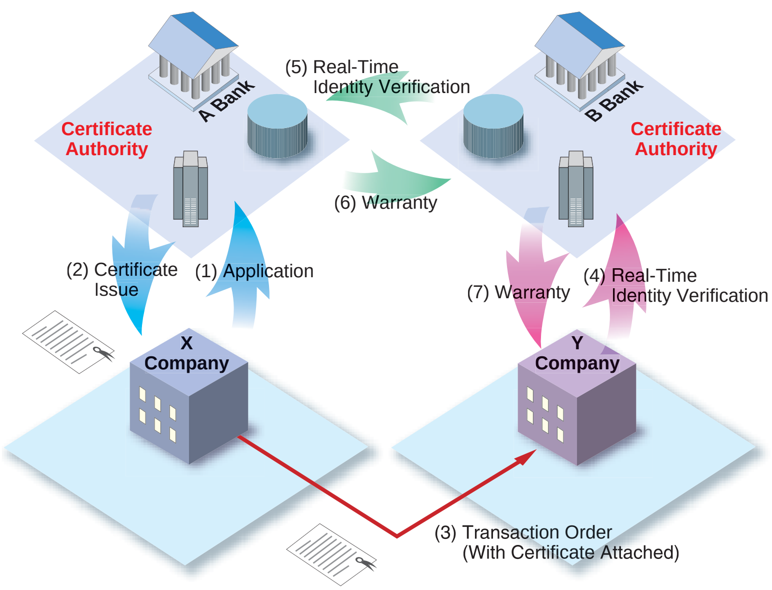
Prompted by our belief that the delivery of true security and peace of mind requires preparation before the fact and guarantees after the fact, the SECOM Group entered the casualty insurance field in 1998 by acquiring a stake in Toyo Fire and Marine Insurance Co., Ltd., which was subsequently renamed Secom General Insurance. Since then, we have used our resources to maximum effect in creating a steady stream of innovative insurance products that combine aspects of security and medical services with insurance. In 1998, we released Secom *Anshin* My Car, an automotive insurance policy that makes use of our security network to include on-site dispatch services with traditional insurance benefits. Then we issued Security Discount Fire Policy, for commercial subscribers to centralized security systems, and Secom *Anshin* My Home, a comprehensive fire insurance policy for residential subscribers. Both policies feature reduced premiums, reflecting the risk-lowering factor of the security system.

In October 2001, we created MEDCOM, an unrestricted cancer treatment policy combining insurance services with medical expertise. MEDCOM is the first insurance product in Japan to fund cutting-edge treatments. Although most Japanese residents participate at some level in the national health insurance scheme, its scope of coverage is limited. As effective treatment varies for each cancer patient and because we believe patients should have access to advanced and innovative treatments, we found it worthwhile to offer an unrestricted treatment policy that enables policyholders to take advantage of courses of treatment not covered by the national health insurance scheme without worrying about how to fund them. The policy is not limited to financial coverage; it also includes referrals to selected top cancer treatment centers, assistance with hospital admittance procedures, consultation with specialists and the solicitation of second opinions. We are proud to offer this policy and the accompanying services as part of our mission to provide security and peace of mind to customers and to remove some of the worries of cancer patients and their families.

Cyber Security—Protection for the Wired World

The cyber security field has given the SECOM Group an opportunity to showcase its ability to fuse security expertise with IT know-how to create new businesses. The SECOM Group entered the networking business in 1985, the year the field was liberalized and opened to private-sector participation in

Digital Certificate
Authority Hosting Services



Japan. We lost no time in establishing a solid body of expertise in information security.

The Internet is rapidly becoming a key tool for many activities, but the cyber world, like the real world, is not without its dangers. Security measures are required to cope with unauthorized intrusions and other on-line criminal acts. The reliability of the Internet also requires data centers to be designed to ensure stability. To answer the call for security and peace of mind in the cyber dimension, Secom Trust.net built the SECOM Secure Data Center. This center is the culmination of SECOM's expertise in physical security, cyber security, networking technology and operations. The Center houses customers' servers and sees to the operation and monitoring of the computers as well as their connections to the Internet. The physical safety and stability of the systems are protected by the building's security systems and strictly enforced access limitations, while Internet-based intrusions and viruses are prevented by the 24-hour vigilance of our cyber security systems. We consider the SECOM Secure Data Center to be an essential component of the infrastructure necessary for establishing the Social System Industry.

As part of its cyber security services, Secom Trust.net offers digital authentication services and network security monitoring services. In the digital authentication market, public key infrastructure (PKI) services are furnishing the Internet with an effective means of establishing credibility among users. SECOM Passport for Web, which issues digital authentication certificates, provides the assurance that a web site is legitimate when a person makes a purchase or other financial transaction, and encrypts the information to protect the privacy of individuals and companies. Similarly, SECOM Passport for Members issues digital authentication certificates to individuals who are members of companies or organizations. In addition, we draw on our digital certification expertise to set up and operate systems for organizations wishing to establish their own digital certificate authority. We have already received orders to set up and operate digital certificate authorities for four major financial institutions in Japan, based on the Identrus protocol established by major banks in Japan, North America and Europe. We have also had the occasion to demonstrate our mastery of government public key infrastructure (GPKI) services.

Our network security monitoring services are designed to provide security and stability for our customers' IT systems. We monitor and report on threats to security, as well as network operating status and network traffic. SECOM Intrusion Detection Service supplies around-the-clock protection against unauthorized access and SECOM Virus Monitoring Service monitors and protects against malignant digital viruses.

We are currently working to establish a "Trusted Service Provider" business, which combines cyber security with network services. Our intention is to offer the same level of creativity in providing security for our customers' information assets as we have for their buildings, equipment and other physical assets.

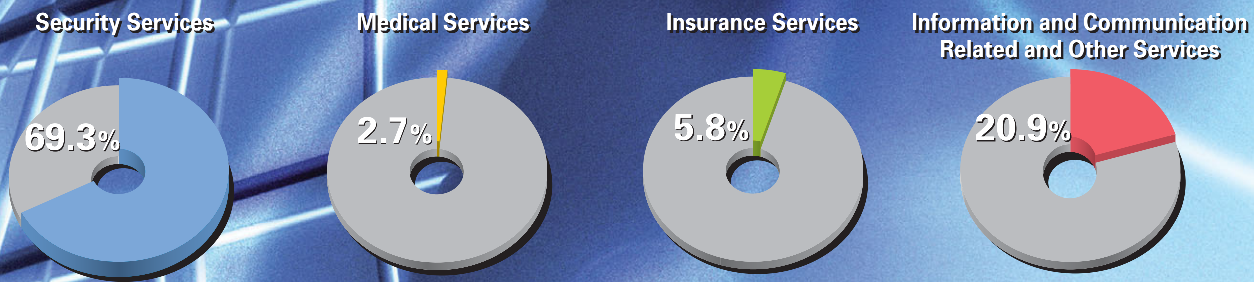
Toward Realization of the Social System Industry

The integration of the SECOM Group's businesses and services has just begun. As we embark on the second stage of development of the Social System Industry, we plan to package products and services to create unprecedented, socially beneficial offerings that will catapult the Social System Industry into reality. Our target markets encompass both the workplace and the home, fixed and mobile security, and physical and cyber security. To win customer acceptance, we will not just invest our resources effectively to create competitive products and services. More importantly, we will concentrate on raising customer satisfaction. When we succeed in these objectives, and more and more customers are enjoying the Group's products and services, we will transcend the second stage of development of the Social System Industry and enter a new phase of growth.

REVIEW OF OPERATIONS

CONTENTS

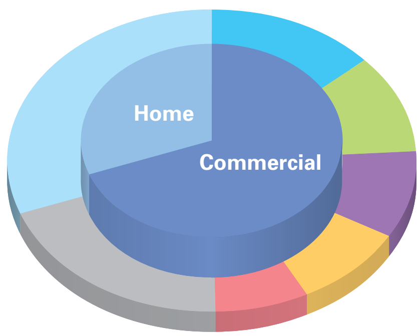
Percentage of Revenue and Other Income*



*Excluding intersegment transactions.

Commercial and Home Security Service Subscribers by Category

At March 31, 2002



Service industries	13.4%
Retailing/wholesaling	10.6%
Manufacturing	9.3%
Financial services	9.0%
Government agencies	7.4%
Others	19.6%
Households	30.7%

Security Services

Electronic Security Services

In the period ended March 31, 2002, revenue and other income from the electronic security services category, comprising the commercial security and home security and large-scale proprietary systems businesses, increased 5.8%, to ¥247.9 billion, accounting for 50.2% of consolidated revenue and other income, compared with 50.1% in the previous period.

On-line centralized security systems, the core business in this category, are set up so that emergency alarms from sensors placed in the subscribers' premises are transmitted to an appropriate control center, where the control staff promptly assess the situation. They dispatch emergency response personnel and may also call the police, ambulance service, fire department or gas company as required. These centralized systems thus function as integrated computer, telephone and human response systems.

In the commercial security business, we continued to rigorously market on-line security systems incorporating our leading-edge image sensing technologies, such as the SECOM AX system, and image transmission technologies, such as the SECOM IX system.

Our home security business focuses on on-line home security systems that connect subscribers' households to our control centers to monitor for intrusion, fires, gas leaks and emergency calls, thereby ensuring peace of mind. During the period, we continued to expand our subscriber base, helped by a growing market. We also concluded an agreement with a housing construction firm whereby the firm has incorporated SECOM Home Security into its housing series as a standard feature, thereby tapping the market for home buyers who place a high value on a secure living environment.

In the large-scale proprietary systems business, we launched TOTAX ZETA, a system that is compatible with standard networks.

Other Security Services

Static guard and armored car services are included in this category, which generated revenues of ¥51.1 billion, 8.0% higher than a year earlier. This represented 10.4% of consolidated revenue and other income, compared with 10.1% in the prior period.

Merchandise and Other

SECOM markets numerous security-related products, such as CCTV monitoring systems, access-control systems, automatic fire detection and extinguishing systems and external and internal monitoring systems; and services, such as COCO-SECOM. Revenue from this category increased 25.3%, to ¥43.1 billion, and accounted for 8.7% of consolidated revenue and other income, compared with 7.3% in the previous period.

The COCO-SECOM series employs GPS satellites and cellular telephone base stations to relay information about the location of compact mobile terminals, enabling the dispatch of emergency response personnel when requested. These remarkable services can be used to locate people, foil automobile theft and keep tabs on precious items. COCO-SECOM's wide applicability is allowing us to satisfy a whole new range of security needs, and we are working on adding new functions and further capitalizing on its almost limitless market potential.

We are committed to continually upgrading our proprietary safety and security equipment to meet the diverse needs of consumers. As a result, we have developed several top-selling products, such as SUPER CCTV, a monitoring system for convenience stores and other retail outlets. This system is equipped with an antitampering function that detects attempts to interfere with the cameras, thereby enhancing the monitoring capabilities of store premises. The SESAMO NT III access-control system has garnered market attention because of its convenient wireless IC pass cards, which can be used to operate electronic locks. Other merchandise includes the TOMAHAWK MACH II residential-use fire extinguisher, which can be easily operated with one hand, the TOMAHAWK III high-speed automated fire extinguishing system, and the TOMAHAWK PS automated extinguishing system for mechanically operated parking buildings.

Medical Services

Revenue and other income from the medical services segment rose 2.1 times, to ¥13.5 billion, representing 2.7% of consolidated revenue and other income, compared with 1.4% a year earlier.

During the period, we merged our medical services department with three subsidiaries responsible for medical services to form a single company, Secom Medical System, to enhance our ability to provide seamless, high-quality medical care. We also expanded our network of visiting nurse stations. These services are approved under Japan's health insurance scheme and now also its long-term care insurance scheme. The stations comprise nurses who visit patients to assist with providing intravenous injections or operating breathing equipment, and who also provide long-term care. Other medical services include Hospinet, a remote image diagnosis support service for medical institutions, and SECOM Ubiquitous EMR, an electronic medical report system.

Insurance Services

This segment earned revenue and other income of ¥28.8 billion in the period under review, a 23.4% increase over the previous period, and contributed 5.8% to consolidated revenue and other income, compared with 5.0% a year earlier.

Secom General Insurance launched sales of MEDCOM, a medical care policy that covers expenses related to new cancer treatments not covered by the public health insurance scheme. Other popular policies include Secom *Anshin* My Car automotive insurance, Security Discount Fire Policy for commercial subscribers to centralized security systems and Secom *Anshin* My Home, a comprehensive fire insurance policy for residential subscribers. Each of these products draws on synergies with our security systems to offer attractive benefits at reasonable prices.

Information and Communication Related and Other Services

Revenue and other income from this segment amounted to ¥103.3 billion, an increase of 11.6%, and accounted for 20.9% of consolidated revenue and other income, compared with 19.8% in the previous period.

Information Services

Secom Information System Co., Ltd., offers a range of services to external customers, including the planning, development, operation and maintenance of corporate networks, as well as plans, builds and operates the SECOM Group's information networks and intranet.

Secom Trust.net provides cyber security services, including digital authentication, network security monitoring and consulting services. Its digital authentication services, such as SECOM Passport for Web and SECOM Passport for Members, provide PKI identities that enhance Internet security. Corporate networks receive 24-hour continuous monitoring and reporting to raise their security and stability with such services as SECOM Virus Monitoring Service and SECOM Intrusion Detection Service. In our security consulting services, we focus on providing network risk assessment and proposing appropriate solutions. In addition to cyber security, Secom Trust.net also offers network services and operates a web application service to help customers maximize the advantages provided by the Internet. During the period under review, it launched Electronic Document Management Solution, which digitizes and provides long-term storage for important data at a lower cost than client companies can manage on their own. The data can be retrieved via the Internet at any time.

GIS Services

Pasco Corporation, a leader in its field, specializes in providing services based on aerial mapping and GIS technologies. Its Management Navigation Service provides private-sector companies with digital maps superimposed with their own data and figures, creating a valuable support tool for everyone from top management to field staff. Pasco offers this service under long-term user contracts, which allow for low-cost regular updates to the base maps and proprietary data.

PasCAL is a comprehensive GIS service integrating various types of data with digital maps and is offered to local governments to assist with social services.

Education Services

Secom Lines, a pioneer in Japan's computer-aided learning field, continued to focus on promoting educational software and its local area network (LAN) systems for classrooms.

Real Estate Development

Secom Home Life embodies a wealth of experience and know-how in the field of condominium developments. This expertise helps it to develop and market outstanding properties that incorporate other SECOM Group services—such as security services, home medical care, information services and insurance coverage—to provide purchasers with security and peace of mind.

Overseas Operations

In the belief that the desire for security is universal, SECOM launched its first overseas security operation in Taiwan in 1978, which was followed in succession by operations in the Republic of Korea and the United States in 1981. Since then, we have expanded in Asia to Thailand, Malaysia, Singapore, Indonesia and the PRC. In Europe, we operate in the United Kingdom, and in Oceania, in Australia.

One of the distinguishing characteristics of operations in these 10 countries and territories is that we take know-how and security systems developed in our home market and blend them with local customs and conditions to create customized solutions. This has helped the SECOM Group achieve local market acceptance readily and create a security service network that transcends differences in languages and cultures.

The IT market in the PRC is poised for rapid growth, particularly in the field of cyber security. In anticipation, we established Beijing Secom Information Technology Co., Ltd., to market cyber security products and customized services.

CONTENTS

Operating Results

Overview

In the fiscal year ended March 31, 2002, SECOM and its subsidiaries (collectively "the Company") pressed forward with efforts to enhance their security services as well as their operations in all fields of medical services, insurance, information systems, GIS services, education services and real estate development by expanding marketing, system construction and product development.

Reflecting these efforts, we recorded solid results in all operating segments. As a consequence, consolidated revenue and other income rose 5.4% from the previous period, to ¥493.5 billion. Net income fell 22.5%, to ¥34.1 billion, owing to the absence of a gain on securities contribution to employee retirement benefit trust, which was ¥21.4 billion in the previous period. Effective from the period under review, the Company consolidated real estate investment companies to which it had extended loans. The Company has restated its consolidated financial statements for prior periods to reflect this change. (See Note 2 of the accompanying notes to consolidated financial statements.)

Revenue and Other Income

Revenue and other income amounted to ¥493.5 billion, up 5.4%, or ¥25.2 billion. This was attributable to increased sales in all business segments, including brisk sales in the security services segment and higher sales of condominiums in the real estate development area, and was despite the aforementioned absence of a gain on securities contribution to employment retirement benefit trust. Net sales advanced 11.3%, or ¥49.2 billion, to ¥483.0 billion. Gain on sale of securities, net, totaled ¥3.0 billion, while interest and other amounted to ¥7.5 billion.

Costs and Expenses

Higher revenue and other income increased costs and expenses 11.1%, or ¥43.0 billion, to ¥428.8 billion. Cost of sales climbed 12.0%, or ¥31.4 billion, to ¥292.1 billion. This increase was attributable to the increase in condominium sales, which pushed up the cost of real estate; and to the higher cost of merchandise, a consequence of higher sales of safety-related and medical equipment. Cost of sales was equivalent to 60.5% of net sales, edging up from 60.1% in the previous period.

Selling, general and administrative expenses climbed 7.5%, or ¥8.0 billion, to ¥115.2 billion, and accounted for 23.3% of revenue and other income, up from 22.9% in the previous period. This increase reflected higher personnel costs and an increase in research and development expenses. Other expenses climbed 24.7%, or ¥3.9 billion, to ¥19.9 billion, owing mainly to the effect of losses on other-than-temporary impairment of investment securities.

Income

Owing to the aforementioned absence of ¥21.4 billion generated by a gain on securities contribution to employee retirement benefit trust in the previous period, income before income taxes fell 21.5%, or ¥17.8 billion, to ¥64.8 billion. Income taxes fell 15.6%, or ¥5.6 billion, to ¥30.2 billion, but accounted for 46.6% of income before income taxes, up from 43.3% in the previous period. Net income declined 22.5%, or ¥9.9 billion, to ¥34.1 billion. Basic net income per share was ¥146.19, down from ¥188.76, while diluted net income per share was ¥146.11, compared with ¥188.61. Cash dividends of ¥40 were approved at the general shareholders' meeting held on June 27, 2002.

Segment Information

For detailed segment information, see Note 26 of the accompanying notes to consolidated financial statements.

Revenue and other income in the security services segment totaled ¥344.6 billion, up 8.6%, or ¥27.2 billion. Excluding intersegment transactions, security services segment revenue and other income amounted to ¥342.1 billion, equivalent to 69.3% of total revenue and other income, up from 67.5% in the previous period. Commercial security and home security accounted for ¥244.5 billion of this total, up 6.0%, or ¥13.7 billion; large-scale proprietary systems represented ¥3.4 billion, a decrease of 5.7%, or ¥209 million; static guard services produced revenue and other income of ¥34.1 billion, an increase of 5.9%, or ¥1.9 billion; armored car services generated ¥17.0 billion, up 12.5%, or ¥1.9 billion; and merchandise and other contributed ¥43.1 billion, up 25.3%, or ¥8.7 billion. Income before income taxes in the security services segment advanced 7.2%, or ¥5.6 billion, to ¥83.0 billion. Nonetheless, income before income taxes as a percentage of segment revenue and other income edged down to 24.1%, from 24.4%, owing to the considerable increase in sales of merchandise and other accompanying a higher cost percentage than in commercial security and home security.

Revenue and other income in the medical services segment soared 2.1 times, or ¥7.2 billion, to ¥13.7 billion. This rise reflected the inclusion of a full year of results of recently acquired medical instruments and supplies firm Mac Corporation, compared with only six months of results included in the previous period, as well as an increase in sales prompted by the expansion of our network of visiting nurse stations. Although the segment once again recorded a loss before income taxes, it shrank to ¥698 million, from ¥1.5 billion in the previous period, paralleling the rise in revenue and other income.

The insurance services segment generated revenue and other income of ¥30.7 billion, rising 21.1%, or ¥5.3 billion, as subsidiary Secom General Insurance recorded a substantial increase in policies sold. Segment income before income taxes was ¥304 million, accompanying the increase in revenue and other income, compared with a loss before income taxes of ¥1.6 billion in the previous period.

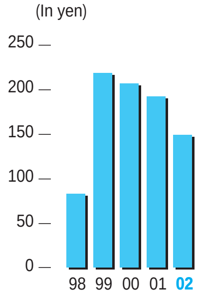
In the information and communication related and other services segment, which encompasses information-related and GIS services as well as real estate development, revenue and other income amounted to ¥107.5 billion, up 9.4%, or ¥9.3 billion. This climb was largely attributable to brisk sales of condominiums. Nevertheless, the segment recorded a loss before income taxes of ¥130 million, compared with income before income taxes of ¥366 million in the previous period, largely as a consequence of higher losses on other-than-temporary impairment of investment securities.

Financial Position

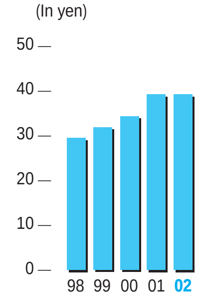
Total assets of the Company amounted to ¥1,166.1 billion as of March 31, 2002, an increase of 32.2%, or ¥283.8 billion, from the previous fiscal year-end. This increase was primarily the consequence of an increase in policies sold by Secom General Insurance, prompting a rise in investment assets, and the acquisition in March 2002 of Arai & Co., Ltd., which has real estate for lease services.

Total current assets climbed 25.8%, or ¥95.9 billion, to ¥468.0 billion, spurred by an increase in cash and cash equivalents of 45.7%, or ¥66.0 billion, to ¥210.5 billion, and a 2.3 times, or ¥29.2 billion,

Basic Net Income per Share
(In yen)



Cash Dividends Paid per Share
(In yen)



rise in short-term loans and receivables, to ¥51.9 billion, which reflected increases in loans to medical institutions and the current portion of long-term receivables of Secom General Insurance. Reflecting the increase in current assets, the current ratio rose to 1.9 times, from 1.7 times at the end of the previous fiscal year.

Investments and long-term receivables advanced 7.4%, or ¥14.6 billion, to ¥212.7 billion, owing to increases in investments and long-term receivables in the medical services segment.

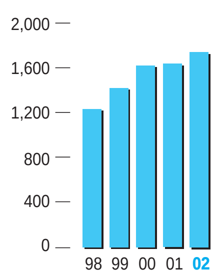
Property, plant and equipment, less accumulated depreciation, rose 57.9%, or ¥155.3 billion, to ¥423.7 billion. Land soared 87.6%, or ¥72.7 billion, to ¥155.6 billion. Buildings and improvements climbed 87.8%, or ¥73.4 billion, to ¥157.1 billion. Security equipment and control stations increased 9.8%, or ¥26.2 billion, to ¥294.5 billion. The increases in land and buildings and improvements were largely attributable to the acquisition of Arai & Co., and the purchase of properties on operating leases through real estate investment companies.

Other assets advanced 40.9%, or ¥17.9 billion, to ¥61.7 billion. This increase was primarily a consequence of an increase in deferred income taxes, which reflected increases in minimum pension liability and unrealized losses on securities.

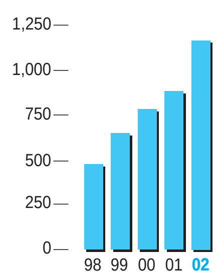
Total liabilities climbed 53.7%, or ¥257.1 billion, to ¥735.8 billion. Current portion of long-term debt climbed nearly 2.3 times, or ¥18.2 billion, to ¥32.7 billion, owing largely to the acquisition of Arai & Co. As a consequence, total current liabilities rose 12.2%, or ¥26.7 billion, to ¥245.3 billion. Long-term debt soared 3.7 times, or ¥97.0 billion, to ¥133.0 billion, spurred by the issuance of ¥30.0 billion in bonds of SECOM, the acquisition of Arai & Co., and an increase in loans of real estate investment companies for the purchase of real estate. Paralleling the aforementioned increase in insurance policies sold, investment deposits by policyholders soared 73.9%, or ¥96.2 billion, to ¥226.4 billion. Accrued pension and severance costs increased 71.6%, or ¥15.3 billion, to ¥36.6 billion, owing to the increase in the aforementioned minimum pension liability. This increase in minimum pension liability resulted from an increase in accrued pension liabilities, which followed a change in the discount rate, and a decline in the fair value of plan assets, attributable to the harsh market conditions. Guarantee deposits received totaled ¥33.6 billion, up 67.6%, or ¥13.6 billion, owing to the acquisition of Arai & Co., and the receipt of guarantee deposits from Ryomei Royal Life Co., Ltd., a newly consolidated subsidiary which manages a nursing home for senior citizens and was formerly accounted for under the equity method.

Total shareholders' equity rose 6.4%, or ¥24.0 billion, to ¥401.3 billion, bolstered by an increase in retained earnings of 9.3%, or ¥23.7 billion, to ¥279.6 billion. Higher liabilities, primarily attributable to the increase in investment deposits by insurance policyholders and in long-term debt, pushed the equity ratio down to 34.4%, from 42.8% a year earlier.

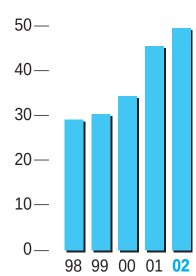
Shareholders' Equity per Share
(In yen)



Total Assets
(In billions of yen)



Depreciation and Amortization
(In billions of yen)



Cash Flows

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

Net cash provided by operating activities amounted to ¥189.9 billion in the period under review, an increase of ¥51.7 billion, from ¥138.2 billion in the previous period. This change primarily reflected a ¥96.2 billion increase in investment deposits by policyholders, up from a ¥54.1 billion increase in the previous period. Depreciation and amortization was ¥49.9 billion, up from ¥45.0 billion.

Net cash used in investing activities totaled ¥163.0 billion, an increase of ¥32.2 billion, from ¥130.8 billion in the previous period. This change was primarily a consequence of a ¥49.2 billion increase in payments for purchases of property, plant and equipment, to ¥159.2 billion, from ¥110.0 billion in the previous period. These funds were applied primarily to the purchase of security equipment and control stations, necessitated by an increase in subscribers to our commercial and home security systems, and to the purchase of rental real estate as an investment asset.

Net cash provided by financing activities totaled ¥38.6 billion, up ¥37.3 billion, from ¥1.3 billion. Proceeds from long-term debt, including bonds issued during the period, totaled ¥69.8 billion, while repayments of long-term debt amounted to ¥15.9 billion and decrease in bank loans totaled ¥6.3 billion, resulting in net proceeds from long-term debt and bank loans of ¥47.5 billion, compared with ¥11.1 billion in the previous period. Dividends paid amounted to ¥9.3 billion.

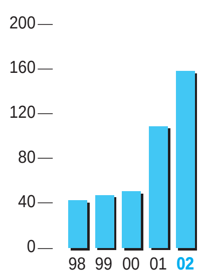
As a consequence of our operating, investing and financing activities during the period under review, cash and cash equivalents at end of year amounted to ¥210.5 billion, up ¥66.0 billion, from ¥144.5 billion a year earlier.

Subsequent Events

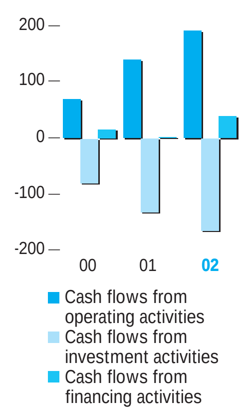
On April 23, 2002, following the enactment of Japan's new Welfare Pension Insurance Law, SECOM and certain of its subsidiaries obtained approval from the Ministry of Health, Labour and Welfare for exemption from future benefit obligation with respect to the portion of the Employees Pension Funds that SECOM and certain of its subsidiaries operate on behalf of the Japanese government.

In accordance with a proposal approved at its general meeting of shareholders on June 27, 2002, on August 13, 2002, SECOM repurchased 8.0 million shares of its common stock for ¥43.4 billion.

Capital Investment
(In billions of yen)



Cash Flows
(In billions of yen)



CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries
March 31, 2002 and 2001

ASSETS	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31		March 31
	2002	2001	2002
Current assets:			
Cash and cash equivalents (Note 6)	¥ 210,477	¥ 144,502	$ 1,582,534
Time deposits	4,880	12,460	36,692
Cash deposits (Note 7)	40,750	36,597	306,391
Short-term investments (Note 8)	12,635	21,993	95,000
Notes and accounts receivable, trade	49,132	48,917	369,413
Due from subscribers	21,226	16,951	159,594
Inventories (Note 9)	55,824	49,715	419,729
Short-term receivables	51,912	22,731	390,316
Allowance for doubtful accounts	(1,522)	(1,096)	(11,444)
Deferred insurance acquisition cost (Note 12)	2,762	2,044	20,767
Deferred income taxes (Note 15)	11,226	7,379	84,406
Other current assets	8,739	9,929	65,707
Total current assets	468,041	372,122	3,519,105
Investments and long-term receivables:			
Investment securities (Note 8)	122,247	119,438	919,150
Investments in affiliated companies (Note 10)	34,943	32,349	262,729
Long-term receivables	30,105	27,761	226,353
Lease deposits	11,707	11,631	88,023
Other investments	18,979	14,481	142,699
Allowance for doubtful accounts	(5,296)	(7,567)	(39,819)
	212,685	198,093	1,599,135
Property, plant and equipment (Notes 11, 18 and 19):			
Land	155,624	82,970	1,170,105
Buildings and improvements	157,097	83,648	1,181,181
Security equipment and control stations	294,533	268,332	2,214,534
Machinery, equipment and automobiles	55,040	50,615	413,835
Construction in progress	31,167	18,623	234,338
	693,461	504,188	5,213,993
Accumulated depreciation	(269,809)	(235,884)	(2,028,639)
	423,652	268,304	3,185,354
Other assets:			
Telephone and telegraph utility rights	3,560	3,681	26,767
Deferred income taxes (Note 15)	29,026	16,388	218,240
Goodwill (Note 5)	10,836	10,169	81,474
Intangibles and other	18,313	13,577	137,692
	61,735	43,815	464,173
Total assets	¥1,166,113	¥ 882,334	$ 8,767,767

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)
	March 31		March 31
	2002	2001	2002
Current liabilities:			
Bank loans (Notes 7 and 11)	¥ 68,003	¥ 72,527	$ 511,301
Current portion of long-term debt (Notes 11 and 18)	32,703	14,471	245,887
Notes and accounts payable, trade	16,401	15,855	123,316
Other payables	20,337	19,287	152,910
Deposits received (Note 7)	22,744	17,103	171,007
Deferred revenue (Note 2 (12))	37,196	36,662	279,669
Accrued income taxes	23,003	18,264	172,955
Accrued payrolls	14,946	14,264	112,376
Other current liabilities	9,961	10,146	74,895
Total current liabilities	245,294	218,579	1,844,316
Long-term debt (Notes 11 and 18)	133,047	36,035	1,000,353
Guarantee deposits received	33,635	20,066	252,895
Accrued pension and severance costs (Note 13)	36,622	21,340	275,353
Deferred revenue (Note 2 (12))	18,461	17,206	138,805
Unearned premiums and other insurance liabilities (Note 12)	37,268	34,085	280,211
Investment deposits by policyholders (Note 12)	226,407	130,187	1,702,308
Deferred income taxes (Note 15)	2,813	645	21,150
Other liabilities	2,298	641	17,278
Total liabilities	735,845	478,784	5,532,669
Minority shareholders' interest in subsidiaries	28,942	26,246	217,609
Shareholders' equity:			
Common stock (Notes 16 and 23):			
Authorized 900,000,000 shares in 2002 and 2001;			
issued 233,274,769 shares in 2002 and 233,099,744 shares in 2001	66,360	66,127	498,948
Additional paid-in capital (Notes 16 and 23)	79,979	79,745	601,346
Legal reserve (Note 16)	9,663	8,618	72,654
Retained earnings (Note 16)	279,593	255,880	2,102,203
Accumulated other comprehensive income (loss):			
Unrealized losses on securities (Note 8)	(4,481)	(2,329)	(33,692)
Unrealized gains on derivative instruments (Note 21)	43	—	323
Minimum pension liabilities adjustments (Note 13)	(23,109)	(17,110)	(173,752)
Foreign currency translation adjustments	(6,581)	(13,624)	(49,481)
	(34,128)	(33,063)	(256,602)
Common stock in treasury, at cost;			
22,512 shares in 2002 and 510 shares in 2001	(141)	(3)	(1,060)
Total shareholders' equity	401,326	377,304	3,017,489
Commitments and contingent liabilities (Note 22)			
Total liabilities and shareholders' equity	¥1,166,113	¥882,334	$8,767,767

CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2002

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2002	2001	2000	2002
Revenue and other income:				
Net sales	¥483,014	¥433,817	¥398,205	$3,631,684
Gain on sale of securities, net (Notes 8 and 24)	2,967	2,569	5,454	22,308
Gain on securities contribution to employee retirement benefit trust (Notes 8 and 13)	—	21,366	—	—
Interest and other (Note 14)	7,545	10,541	8,765	56,730
	493,526	468,293	412,424	3,710,722
Costs and expenses:				
Cost of sales	292,092	260,720	230,936	2,196,180
Selling, general and administrative (Notes 2 (14) and 17)	115,158	107,141	99,137	865,850
Interest	1,596	1,925	1,231	12,000
Other (Note 14)	19,907	15,963	8,431	149,677
	428,753	385,749	339,735	3,223,707
Income before income taxes	64,773	82,544	72,689	487,015
Income taxes (Note 15)**:**				
Current	37,096	30,011	27,396	278,917
Deferred	(6,913)	5,740	(4,707)	(51,977)
	30,183	35,751	22,689	226,940
Income before minority interest, equity in net income of affiliated companies and cumulative effect of accounting change	34,590	46,793	50,000	260,075
Minority interest in subsidiaries	(1,862)	(408)	(3,805)	(14,000)
Equity in net income of affiliated companies	1,354	1,310	1,131	10,181
Income before cumulative effect of accounting change	34,082	47,695	47,326	256,256
Cumulative effect of accounting change, net of tax (Note 2 (12))	—	(3,699)	—	—
Net income	¥ 34,082	¥ 43,996	¥ 47,326	$ 256,256

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2002	2001	2000	2002
Per share data (Note 4)**:**				
Income before cumulative effect of accounting change—				
Basic	¥146.19	¥204.63	¥203.22	$1.10
Diluted	¥146.11	¥204.46	¥203.06	$1.10
Cumulative effect of accounting change—				
Basic	¥ —	(¥ 15.87)	¥ —	$ —
Diluted	¥ —	(¥ 15.85)	¥ —	$ —
Net income—				
Basic	¥146.19	¥188.76	¥203.22	$1.10
Diluted	¥146.11	¥188.61	¥203.06	$1.10

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, 2002

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, 1999	116,392,109	¥65,710	¥79,318	¥6,677	¥183,968	(¥ 8,407)	(¥ 119)	¥327,147
Comprehensive income:								
Net income	—	—	—	—	47,326	—	—	47,326
Other comprehensive income (loss), net of tax (Note 16):								
Unrealized gains on securities:								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	4,879	—	4,879
Less: Reclassification adjustment for gains or losses 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								53,946
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	222,238	(1,787)	(42)	373,806
Comprehensive income:								
Net income	—	—	—	—	43,996	—	—	43,996
Other comprehensive income (loss), net of tax (Note 16):								
Unrealized losses on securities:								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	(6,496)	—	(6,496)
Less: Reclassification adjustment for gains or losses 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								12,720
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	255,880	(33,063)	(3)	377,304
Comprehensive income:								
Net income	—	—	—	—	34,082	—	—	34,082
Other comprehensive income (loss), net of tax (Note 16):								
Unrealized losses on securities:								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	(6,082)	—	(6,082)
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	3,930	—	3,930
Unrealized gains on derivative instruments:								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	135	—	135
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	(92)	—	(92)
Minimum pension liabilities adjustments	—	—	—	—	—	(5,999)	—	(5,999)
Foreign currency translation adjustments	—	—	—	—	—	7,043	—	7,043
Total comprehensive income								33,017
Cash dividends	—	—	—	—	(9,324)	—	—	(9,324)
Transfer to legal reserve	—	—	—	1,045	(1,045)	—	—	—
Conversion of convertible bonds	175,025	233	234	—	—	—	—	467
Purchase of treasury stock	—	—	—	—	—	—	(264)	(264)
Reissuance of treasury stock	—	—	0	—	—	—	126	126
Balance, March 31, 2002	**233,274,769**	**¥66,360**	**¥79,979**	**¥9,663**	**¥279,593**	**(¥34,128)**	**(¥ 141)**	**¥401,326**

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, 2001	$497,195	$599,587	$64,797	$1,923,910	($248,594)	($ 23)	$2,836,872
Comprehensive income:							
Net income	—	—	—	256,256	—	—	256,256
Other comprehensive income (loss), net of tax (Note 16):							
Unrealized losses on securities:							
Unrealized holding gains or losses arising during the period	—	—	—	—	(45,730)	—	(45,730)
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	29,549	—	29,549
Unrealized gains on derivative instruments:							
Unrealized holding gains or losses arising during the period	—	—	—	—	1,015	—	1,015
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	(692)	—	(692)
Minimum pension liabilities adjustments	—	—	—	—	(45,105)	—	(45,105)
Foreign currency translation adjustments	—	—	—	—	52,955	—	52,955
Total comprehensive income							248,248
Cash dividends	—	—	—	(70,106)	—	—	(70,106)
Transfer to legal reserve	—	—	7,857	(7,857)	—	—	—
Conversion of convertible bonds	1,753	1,759	—	—	—	—	3,512
Purchase of treasury stock	—	—	—	—	—	(1,985)	(1,985)
Reissuance of treasury stock	—	0	—	—	—	948	948
Balance, March 31, 2002	**$498,948**	**$601,346**	**$72,654**	**$2,102,203**	**($256,602)**	**($1,060)**	**$3,017,489**

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, 2002

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2002	2001	2000	**2002**
Cash flows from operating activities:				
Net income	**¥ 34,082**	¥ 43,996	¥ 47,326	**$ 256,256**
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization	**49,891**	45,020	34,255	**375,120**
Accrual for pension and severance costs, less payments	**3,736**	4,190	525	**28,090**
Deferred income taxes	**(6,913)**	5,740	(4,707)	**(51,977)**
Net loss on sales and disposal of property, plant and equipment	**2,166**	2,599	2,116	**16,286**
Gain on sales of investment securities	**(2,095)**	(1,998)	(1,163)	**(15,752)**
Gain on securities contribution to employee retirement benefit trust (Note 8)	**—**	(21,366)	—	**—**
Gain on sales of subsidiaries' shares (Note 24)	**(872)**	(571)	—	**(6,556)**
Gain on sales of shares of Secom Techno Service Co., Ltd.	**—**	—	(4,291)	**—**
Loss on other-than-temporary impairment of investment securities	**9,004**	1,851	1,711	**67,699**
Equity in net income of affiliated companies	**(1,354)**	(1,310)	(1,131)	**(10,181)**
Minority interest in subsidiaries	**1,862**	408	3,805	**14,000**
Cumulative effect of accounting change, net of tax (Note 2 (12))	**—**	3,699	—	**—**
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits	**(4,152)**	895	6,352	**(31,218)**
Increase in receivables and due from subscribers, net of allowances	**(6,727)**	(2,010)	(23,406)	**(50,579)**
(Increase) decrease in inventories	**(5,533)**	4,027	(26,350)	**(41,602)**
(Increase) decrease in other current assets	**(3,017)**	6,305	(1,112)	**(22,684)**
Increase (decrease) in payables	**(1,015)**	(24,279)	27,115	**(7,632)**
Increase (decrease) in deposits received	**6,708**	(3,503)	(8,232)	**50,436**
Increase in deferred revenue	**1,737**	3,788	871	**13,060**
Increase (decrease) in accrued income taxes	**5,145**	4,249	(3,445)	**38,684**
Increase in guarantee deposits received from subscribers	**6,012**	2,588	985	**45,203**
Increase in other current liabilities	**853**	1,713	3,079	**6,414**
Increase (decrease) in unearned premiums and other insurance liabilities	**3,184**	8,201	(4,226)	**23,940**
Increase in investment deposits by policyholders	**96,221**	54,084	18,571	**723,466**
Other, net	**929**	(155)	(71)	**6,986**
Net cash provided by operating activities	**189,852**	138,161	68,577	**1,427,459**
Cash flows from investing activities:				
Decrease in time deposits	**7,950**	3,976	1,619	**59,774**
Proceeds from sales of property, plant and equipment	**3,693**	1,543	1,607	**27,767**
Payments for purchases of property, plant and equipment	**(159,242)**	(109,980)	(50,146)	**(1,197,308)**
Proceeds from sales of investment securities	**10,149**	5,663	2,419	**76,308**
Payments for purchases of investment securities	**(22,602)**	(16,802)	(1,908)	**(169,940)**
(Increase) decrease in short-term investments	**15,459**	(2,478)	(26,855)	**116,233**
Proceeds from sales of subsidiaries' shares (Note 24)	**2,654**	2,088	—	**19,955**
Proceeds from sales of shares of Secom Techno Service Co., Ltd.	**—**	—	4,512	**—**
Payments for purchases of subsidiaries' shares, net of cash acquired (Note 5)	**1,270**	(2,410)	(825)	**9,549**
Acquisition of Mac Corporation, net of cash acquired	**—**	(3,203)	—	**—**
Acquisition of Pasco Corporation, net of cash acquired	**—**	—	(9,494)	**—**
Increase in short-term receivables, net	**(10,301)**	(9,522)	(779)	**(77,451)**
Payments for long-term receivables	**(8,346)**	(3,561)	(7,278)	**(62,752)**
Proceeds from long-term receivables	**1,654**	10,689	11,715	**12,436**
Increase in other assets	**(5,371)**	(6,768)	(3,434)	**(40,383)**
Other, net	**—**	—	197	**—**
Net cash used in investing activities	**(163,033)**	(130,765)	(78,650)	**(1,225,812)**
Cash flows from financing activities:				
Proceeds from long-term debt	**69,773**	31,770	5,064	**524,609**
Repayments of long-term debt	**(15,948)**	(16,202)	(4,480)	**(119,910)**
Increase (decrease) in bank loans	**(6,284)**	(4,516)	17,160	**(47,248)**
Proceeds from minority shareholders	**1,137**	21	5,451	**8,549**
Dividends paid	**(9,324)**	(9,323)	(8,147)	**(70,106)**
(Increase) decrease in treasury stock, net	**(138)**	39	77	**(1,037)**
Other, net	**(585)**	(530)	—	**(4,398)**
Net cash provided by financing activities	**38,631**	1,259	15,125	**290,459**
Effect of exchange rate changes on cash and cash equivalents	**525**	239	(630)	**3,947**
Net increase in cash and cash equivalents	**65,975**	8,894	4,422	**496,053**
Cash and cash equivalents at beginning of year	**144,502**	135,608	131,186	**1,086,481**
Cash and cash equivalents at end of year	**¥ 210,477**	¥ 144,502	¥135,608	**$1,582,534**

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, 2002

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, sale and lease 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.

During the year ended March 31, 2002, the Company changed its reporting entity for specific entities. The consolidated financial statements of all prior periods presented have been restated as a result. The change in the reporting entity was due to the gradual increase in the materiality of real estate investment companies sponsored by Secom General Insurance Co., Ltd. ("Secom Insurance"), a subsidiary of the parent company, and to which the substantive risks and rewards of the assets rested. The Company decided to consolidate these entities in accordance with Emerging Issues Task Force ("EITF") Topic No. D-14, "Transactions involving Special-Purpose Entities". EITF Topic No. D-14 addresses accounting standards for consolidation of special-purpose entities.

The effect of the change in the reporting entity on income and related per share amounts as previously reported in the consolidated financial statements for the years ended March 31, 2001 and 2000 is as follows:

	In millions of yen	
	March 31	
	2001	2000
Income before cumulative effect of accounting change as previously reported	¥47,817	¥47,432
Effect of a change in the reporting entity	(122)	(106)
Income before cumulative effect of accounting change as restated	47,695	47,326
Cumulative effect of accounting change as previously reported	(3,699)	—
Net income as restated	¥43,996	¥47,326

	In yen	
	March 31	
	2001	2000
Earnings per share—Basic:		
Income before cumulative effect of accounting change as previously reported	¥205.15	¥203.67
Effect of a change in the reporting entity	(0.52)	(0.45)
Income before cumulative effect of accounting change as restated	204.63	203.22
Cumulative effect of accounting change as previously reported	(15.87)	—
Net income as restated	¥188.76	¥203.22
Earnings per share—Diluted:		
Income before cumulative effect of accounting change as previously reported	¥204.99	¥203.52
Effect of a change in the reporting entity	(0.53)	(0.46)
Income before cumulative effect of accounting change as restated	204.46	203.06
Cumulative effect of accounting change as previously reported	(15.85)	—
Net income as restated	¥188.61	¥203.06

The effect of the change in the reporting entity on financial position as previously reported in the consolidated financial statements as of March 31, 2001 is as follows:

	In millions of yen		
	March 31, 2001		
	Financial position as previously reported	Effect of a change in the reporting entity	Financial position as restated
Current assets	¥387,333	(¥ 15,211)	¥372,122
Investments and long-term receivables	238,772	(40,679)	198,093
Property, plant and equipment	198,353	69,951	268,304
Other assets	43,746	69	43,815
Total assets	¥868,204	¥ 14,130	¥882,334
Current liabilities	¥218,366	¥ 213	¥218,579
Long-term debt	24,065	11,970	36,035
Other	221,943	2,227	224,170
Total liabilities	464,374	14,410	478,784
Minority shareholders' interest in subsidiaries	26,298	(52)	26,246
Shareholders' equity	377,532	(228)	377,304
Total liabilities and shareholders' equity	¥868,204	¥ 14,130	¥882,334

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 the 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. Assets leased to others under operating leases are primarily depreciated using the straight-line method over the estimated useful lives. Depreciation expense was ¥44,574 million ($335,143 thousand), ¥40,148 million and ¥31,240 million for the years ended March 31, 2002, 2001 and 2000, 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 pretax 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 ($27,812 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, and 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, 2002, 2001 and 2000 were ¥5,602 million ($42,120 thousand), ¥4,885 million and ¥4,263 million, respectively.

(15) Derivative Financial Instruments

Effective on April 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133". Both standards establish accounting and 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. The cumulative effect adjustment upon the adoption of SFAS No. 133 and No. 138, net of the related income tax effect, resulted in an increase to other comprehensive income of ¥129 million ($970 thousand).

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareholders' equity as a component of other comprehensive income (loss) depending on whether the derivative financial instruments qualify for hedge accounting, and if so, whether they qualify as a fair value hedge or a cash flow hedge. Changes in the fair values of derivative financial instruments accounted for as a fair value hedge are recorded in income along with the portion of the change in the fair value of the hedged item that relates to the hedged risk. Changes in the fair value of derivative financial instruments accounted for as a cash flow hedge, to the extent it is effective as a hedge, are recorded in other comprehensive income (loss), net of tax. Changes in the fair value of derivative financial instruments not qualifying as a hedge are reported in income.

The Company meets the documentation requirements as prescribed by SFAS No. 133 and No. 138, which include their risk-management objective and strategy for undertaking various hedge transactions. In addition, formal assessment is made at the hedge's inception and periodically on an on-going basis, as to whether the derivatives used in hedging activities are highly effective in off-setting changes in fair values or cash flow of hedged items. Hedge accounting is discontinued for ineffective hedges, if any. Discontinued hedges are recognized in current income.

Prior to adoption of SAFS No. 133 and No. 138, the Company used derivative financial instruments to limit its exposure to loss in relation to underlying debt instruments resulting from adverse fluctuation in interest rates or to provide higher interest income to the Company. The related interest differentials paid or received under these agreements were 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.

(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 from additional paid-in capital to the common stock account, or (ii) no entry if free shares are distributed from the portion of previously issued shares in the common stock account. Under the Japanese Commercial Code, stock dividends 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 23).

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 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations completed after June 30, 2001. SAFS No. 141 also specified the types of acquired intangible assets that are required to be recognized and reported separately from goodwill and those acquired intangible assets that are required to be included in goodwill. SFAS No. 142 requires that goodwill no longer be amortized. SFAS No. 142 requires that these assets be reviewed for impairment at least annually. Intangible assets with finite lives will continue to be amortized over their estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Any recognized intangible asset determined to have an indefinite useful life will not be amortized, but instead reviewed for impairment in accordance with the Statement until its life is determined to no longer be indefinite.

The Company adopted the provisions of SFAS No. 141 and No. 142 on April 1, 2002, with the exception of the immediate requirement to use the purchase method of accounting for all future business combinations completed after June 30, 2001. However, any goodwill and intangible assets with an indefinite useful life that is acquired in a business combination completed after June 30, 2001, have not been amortized. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 were amortized through March 31, 2002.

SFAS No. 141 requires the Company to evaluate its existing intangible assets and goodwill and to make any necessary reclassifications in order to conform with the new separation requirements at the date of adoption. Upon adoption of SFAS No. 142, the Company is required to reassess the useful lives and residual value of all intangible assets and make any necessary amortization period adjustments by June 30, 2002.

In connection with the transitional impairment evaluation, SFAS No. 142 will require to perform an assessment of whether there is an indication that goodwill is impaired as of April 1, 2002. To accomplish this, the Company must (1) identify its reporting units, (2) determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets to those reporting units, and (3) determine the fair value of each reporting unit. This first step of the transitional assessment is required to be completed by September 30, 2002. If the carrying value of any reporting unit exceeds its fair value, then detailed fair values for each of the assigned assets (excluding goodwill) and liabilities will be determined to calculate the amount of goodwill impairment, if any. This second step is required to be completed as soon as possible, but no later than March 31, 2003. Any transitional impairment loss resulting from the adoption will be recognized as the effect of a change in accounting principle in the consolidated statements of income.

On April 1, 2002, as a result of the adoption of SFAS No. 141, the Company recorded a transition gain, as an effect of a change in accounting principle, due to the write-off of unamortized deferred credits of approximately ¥1,157 million (¥8,699 thousand) which existed at March 31, 2002. The deferred credits related to an excess over cost arising from business combinations completed before July 1, 2001. The Company does not expect the adoption of SFAS No. 142 to have a material effect on the Company's consolidated financial position and results of operations.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of long-lived assets, except for certain obligations of lessees. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. The Company is required to adopt the provisions of SFAS No. 143 on April 1, 2003. The effect on the Company's consolidated financial statements of adopting SFAS No. 143 has not been determined.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which supersedes both SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unused and Infrequently Occurring Events and Transactions", for the disposal of a segment of a business (as previously defined in that Opinion). SFAS No. 144 retains the fundamental provisions in SFAS No. 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with SFAS No. 121. The Company adopted the provisions of SFAS No. 144 on April 1, 2002. The Company does not expect the adoption of SFAS No. 144 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 of ¥133=US$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 29, 2002.

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

Reconciliation of the differences between basic and diluted EPS for the years ended March 31, 2002, 2001 and 2000 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, 2002:				
Basic EPS—				
Income before cumulative effect of accounting change..	**¥34,082**	**233,138**	**¥146.19**	**$1.10**
Effect of dilutive securities—				
Convertible bonds	**3**	**150**		
Diluted EPS—				
Income before cumulative effect of accounting change for diluted EPS computation	**¥34,085**	**233,288**	**¥146.11**	**$1.10**

	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, 2001:			
Basic EPS—			
Income before cumulative effect of accounting change	¥47,695	233,081	¥204.63
Effect of dilutive securities—			
Convertible bonds	5	211	
Diluted EPS—			
Income before cumulative effect of accounting change for diluted EPS computation	¥47,700	233,292	¥204.46
For the year ended March 31, 2000:			
Basic EPS—			
Income before cumulative effect of accounting change........................	¥47,326	232,883	¥203.22
Effect of dilutive securities—			
Convertible bonds	9	220	
Diluted EPS—			
Income before cumulative effect of accounting change for diluted EPS computation	¥47,335	233,103	¥203.06

5. Acquisitions

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 ($112,782 thousand). As a result, the parent company owns 70.0 percent of the outstanding shares of Pasco at March 31, 2002.

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 ($29,925 thousand).

In August 2001, the parent company acquired all issued shares of Yoshikikaku Co., Ltd., which engages in sales and lease services for medical facilities and equipment, for an aggregate amount of ¥3,457 million ($25,992 thousand). The estimated fair values of the assets acquired and liabilities assumed at the date of acquisition are as follows:

	In millions of yen	In thousands of U.S. dollars
Current assets	**¥1,088**	**$ 8,180**
Investments and long-term receivables ...	**7,154**	**53,790**
Other	**743**	**5,586**
Total assets acquired	**8,985**	**67,556**
Current liabilities.......................................	**1,430**	**10,752**
Long-term debt	**2,295**	**17,256**
Other	**1,803**	**13,556**
Total liabilities assumed........................	**5,528**	**41,564**
Net assets acquired	**¥3,457**	**$25,992**

In March 2002, the parent company acquired all issued shares of Arai & Co., Ltd., which engages in sales and leasing services of real estate, for an aggregate amount of ¥1,500 million ($11,278 thousand). The estimated fair values of the assets acquired and liabilities assumed at the date of acquisition are as follows:

	In millions of yen	In thousands of U.S. dollars
Current assets	¥ 7,282	$ 54,752
Property, plant and equipment	41,762	314,000
Goodwill	2,743	20,624
Other	13,172	99,038
Total assets acquired	64,959	488,414
Current liabilities	23,494	176,647
Long-term debt	34,008	255,699
Other	5,944	44,692
Total liabilities assumed	63,446	477,038
Minority shareholders' interest	13	98
Net assets acquired	¥ 1,500	$ 11,278

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 ¥10,782 million ($81,068 thousand) and ¥10,127 million at March 31, 2002 and 2001, respectively. Goodwill acquired in business combinations completed after June 30, 2001 has not been amortized, while business combinations completed before July 1, 2001 continued to be amortized through March 31, 2002.

The consolidated pro forma information that would show the results of the Company's consolidated operations for the years ended March 31, 2002, 2001 and 2000 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, 2002 and 2001 were comprised as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2002	2001	2002
Cash	¥115,947	¥ 67,596	$ 871,782
Time deposits	35,843	21,944	269,496
Call loan	40,000	35,690	300,752
Investment securities	18,687	19,272	140,504
	¥210,477	¥144,502	$1,582,534

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 financial institutions relating to cash dispensers located outside of financial institution facilities. Cash deposit balances, mostly in cash dispensers, of ¥40,750 million ($306,391 thousand) and ¥36,597 million at March 31, 2002 and 2001, 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 overdrafts and deposits from the related financial institutions. Bank loans and deposits received include ¥15,234 million ($114,541 thousand) and ¥20,560 million ($154,586 thousand), respectively, at March 31, 2002, and ¥20,157 million and ¥15,529 million, respectively, at March 31, 2001, 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, 2002 and 2001 were as follows:

	In millions of yen			
	March 31, 2002			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Available-for-sale:				
Equity securities	¥ 59,311	¥3,444	¥8,038	¥ 54,717
Debt securities	50,345	714	894	50,165
Total	¥109,656	¥4,158	¥8,932	¥104,882
Held-to-maturity:				
Debt securities	¥ 17,500	¥ —	¥ 90	¥ 17,410

	In millions of yen			
	March 31, 2001			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
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 thousands of U.S. dollars			
	March 31, 2002			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Available-for-sale:				
Equity securities	$445,947	$25,895	$60,436	$411,406
Debt securities	378,534	5,368	6,722	377,180
Total	$824,481	$31,263	$67,158	$788,586
Held-to-maturity:				
Debt securities	$131,579	$ —	$ 677	$130,902

At March 31, 2002, 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 ($162,030 thousand). Upon contribution of these securities, net unrealized gains amounting to ¥21,366 million ($160,647 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, 2002 are as follows:

	In millions of yen			
	March 31, 2002			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	¥11,982	¥11,755	¥ —	¥ —
Due after 1 year through 5 years	34,617	34,572	12,500	12,410
Due after 5 years through 10 years	618	644	—	—
Due after 10 years	3,128	3,194	5,000	5,000
	¥50,345	¥50,165	¥17,500	¥17,410

	In thousands of U.S. dollars			
	March 31, 2002			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	$ 90,090	$ 88,383	$ —	$ —
Due after 1 year through 5 years	260,278	259,940	93,985	93,308
Due after 5 years through 10 years	4,647	4,842	—	—
Due after 10 years	23,519	24,015	37,594	37,594
	$378,534	$377,180	$131,579	$130,902

During the years ended March 31, 2002 and 2001, the net unrealized losses on "available-for-sale" securities included as part of other comprehensive income (loss), net of tax, increased by ¥2,152 million ($16,181 thousand) and ¥19,601 million, respectively.

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2002, 2001 and 2000 were ¥5,126 million ($38,541 thousand), ¥3,749 million and ¥17,561 million, respectively. On those sales, the gross realized gains and gross realized losses, using a specifically identified moving-average cost basis, for the years ended March 31, 2002, 2001 and 2000 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2002	2001	2000	2002
Gross realized gains	¥2,556	¥1,491	¥6,993	$19,218
Gross realized losses	470	255	239	3,534

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 ¥12,500 million ($93,985 thousand) and ¥5,438 million at March 31, 2002 and 2001, 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, 2002 and 2001 comprise as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2002	2001	2002
Security-related products	¥10,493	¥ 7,672	$ 78,895
Real estate	39,154	36,222	294,391
Information and other-related products	6,177	5,821	46,443
	¥55,824	¥49,715	$419,729

Work in process real estate inventories at March 31, 2002 and 2001, amounting to ¥35,682 million ($268,286 thousand) and ¥33,731 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 27.6 percent owned affiliate, which is listed on the Taiwan Stock Exchange; 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; 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
	2002	2001	2002
Current assets	¥106,123	¥112,313	$ 797,917
Non-current assets	129,402	103,998	972,948
Total assets	¥235,525	¥216,311	$1,770,865
Current liabilities	¥ 58,303	¥ 65,492	$ 438,369
Non-current liabilities	59,985	35,964	451,015
Shareholders' equity	117,237	114,855	881,481
Total liabilities and shareholders' equity	¥235,525	¥216,311	$1,770,865

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2002	2001	2000	2002
Net sales	¥158,770	¥150,005	¥163,882	$1,193,759
Gross profit	¥ 45,621	¥ 42,441	¥ 42,617	$ 343,015
Net income	¥ 7,384	¥ 4,318	¥ 5,641	$ 55,519

Dividends received from affiliated companies for the years ended March 31, 2002, 2001 and 2000 were ¥655 million ($4,925 thousand), ¥419 million and ¥371 million, respectively.

Among the affiliated companies accounted for using the equity method, the stocks of three companies carried at equity of ¥22,302 million ($167,684 thousand) and ¥19,372 million at March 31, 2002 and 2001, respectively, had a quoted market value of ¥40,643 million ($305,586 thousand) and ¥28,397 million at March 31, 2002 and 2001, 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, ¥415 million ($3,120 thousand) and ¥187 million at March 31, 2002 and 2001, 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
	2002	2001	2000	2002
Sales	¥1,595	¥1,637	¥1,748	$11,992
Purchases	¥9,704	¥9,764	¥6,984	$72,962

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2002	2001	2002
Notes and accounts receivable, trade	¥ 940	¥ 860	$ 7,068
Loan receivables	¥ 268	¥ 119	$ 2,015
Notes and accounts payable	¥2,901	¥2,931	$21,812
Guarantees for bank loans	¥8,765	¥9,406	$65,902

11. Bank Loans and Long-Term Debt

Bank loans of ¥68,003 million ($511,301 thousand) at March 31, 2002 are represented generally by 30 to 365 day notes with interest rates ranging from 0.4 to 2.41 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, 2002 and 2001 was comprised of the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2002	2001	2002
Loans, principally from banks due 2002 to 2020 with interest rates ranging from 0.00 to 6.60%:			
Secured	¥ 61,565	¥12,587	$ 462,895
Unsecured	57,237	17,128	430,353
1.60% unsecured convertible bonds due 2002, convertible currently at ¥2,667.8 ($20.06) for one common share, redeemable before due date	33	500	248
1.60% unsecured convertible bonds due 2004, convertible currently at ¥2,372.4 ($17.84) for one common share, redeemable before due date	18	18	135
1.85% unsecured notes due 2002	—	5,000	—
2.05% unsecured notes due 2003	5,000	5,000	37,594
0.53% unsecured bonds due 2006	30,000	—	225,564
1.80% secured bonds due 2004	200	—	1,504
1.21% secured bonds due 2006	300	—	2,255
Obligations under capital leases, due 2002 to 2026 (Note 18)	11,397	10,273	85,692
	165,750	50,506	1,246,240
Less:			
Portion due within one year	32,703	14,471	245,887
	¥133,047	¥36,035	$1,000,353

Property, plant and equipment with a carrying amount of ¥45,544 million ($342,436 thousand), inventories with a carrying amount of ¥34,973 million ($262,955 thousand), investment securities with a carrying amount of ¥695 million ($5,226 thousand), time deposits of ¥112 million ($842 thousand) and intangibles and other with a carrying amount of ¥1,616 million ($12,150 thousand) were pledged as collateral for short-term and long-term debt at March 31, 2002.

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 ¥1,423 million ($10,699 thousand) with such banks at March 31, 2002.

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 ($26,316 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, 2002 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2003	¥ 32,703	$ 245,887
2004	30,696	230,797
2005	15,396	115,759
2006	13,112	98,587
2007	63,037	473,962
Later years	10,806	81,248
	¥165,750	$1,246,240

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 United States of America 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 United States of America 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 United States of America 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 amounts of net equity of Secom Insurance at March 31, 2002 and 2001 were ¥19,653 million ($147,767 thousand) and ¥21,146 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 are determined by reference to current basic rates of pay, length of service and conditions under which the termination occurs.

The parent company and certain of its 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.

In March 2002, the parent company and certain of its subsidiaries integrated and amended three pension plans as described above comprised of lump-sum payment plan, welfare pension plan and non-contributory defined benefit pension plan to a cash balance pension plan, effective April 1, 2002. Under the cash balance pension plans, each participant has an account which is credited annually based on the current rate of pay and market-related interest rate. With this plan amendment, the benefit obligation decreased and prior service benefit is amortized based on the remaining service period.

Net pension and severance costs under Statement of Financial Accounting Standards ("SFAS") No. 87, "Employers' Accounting for Pensions", for the years ended March 31, 2002, 2001 and 2000 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2002	2001	2000	2002
Net pension and severance costs (credit):				
Service cost	¥ 8,032	¥ 6,898	¥ 5,638	$ 60,391
Interest cost	3,930	3,755	3,390	29,549
Expected return on plan assets	(3,488)	(3,962)	(2,712)	(26,225)
Amortization of transition assets	(46)	(46)	(46)	(346)
Amortization of prior service cost (benefit)	(85)	(37)	105	(639)
Recognized actuarial loss	1,872	606	804	14,075
Net periodic benefit cost	¥10,215	¥ 7,214	¥ 7,179	$ 76,805

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		Year ended March 31
	2002	2001	2002
Change in benefit obligation:			
Benefit obligation at beginning of year	¥131,087	¥109,529	$ 985,617
Service cost	8,032	6,898	60,391
Interest cost	3,930	3,755	29,549
Plan participants' contributions	1,612	1,266	12,120
Actuarial loss	12,482	14,427	93,850
Amendments	(15,671)	(2,049)	(117,827)
Benefits paid	(3,698)	(2,739)	(27,805)
Acquisition	93	—	699
Benefit obligation at end of year	137,867	131,087	1,036,594
Change in plan assets:			
Fair value of plan assets at beginning of year	95,719	86,948	719,692
Actual return on plan assets	(11,876)	(16,179)	(89,294)
Employer contribution	5,880	25,938	44,211
Plan participants' contributions	1,612	1,266	12,120
Benefits paid	(3,086)	(2,254)	(23,203)
Fair value of plan assets at end of year	88,249	95,719	663,526
Funded status	49,618	35,368	373,068
Unrecognized actuarial loss	(71,023)	(45,048)	(534,008)
Unrecognized transition assets	135	181	1,015
Unrecognized prior service benefit	16,852	1,266	126,707
Net amount recognized	(¥ 4,418)	(¥ 8,233)	($ 33,218)

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2002	2001	2002
Amounts recognized in the consolidated balance sheets consist of:			
Accrued pension and severance costs	¥36,622	¥21,340	$ 275,353
Intangible assets	—	(124)	—
Accumulated other comprehensive income (loss)	(41,040)	(29,449)	(308,571)
Net amount recognized	(¥ 4,418)	(¥ 8,233)	($ 33,218)

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

	March 31		
	2002	2001	2000
Discount rate	2.5%	3.0%	3.5%
Expected long-term rate of return on plan assets	3.0%	4.0%	5.0%
Long-term rate of salary increase	2.7%	2.2–3.5%	2.7–2.8%

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 sheet a minimum pension liability and related intangible asset for pension plans with an accumulated benefit obligation in excess of plan assets. The 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 ¥23,109 million ($173,752 thousand) and ¥17,110 million at March 31, 2002 and 2001, 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 ¥137,867 million ($1,036,594 thousand), ¥124,127 million ($933,286 thousand) and ¥88,249 million ($663,526 thousand), respectively, at March 31, 2002, and ¥131,087 million, ¥114,622 million and ¥95,719 million, respectively, at March 31, 2001.

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, 2002, 2001 and 2000 were ¥20 million ($150 thousand), ¥19 million and ¥25 million, respectively.

14. Exchange Gains and Losses

Interest and other revenue for the years ended March 31, 2002 and 2001 include net exchange gains of ¥321 million ($2,414 thousand) and ¥313 million, respectively. Other expenses for the year ended March 31, 2000 include net exchange losses of ¥631 million.

15. Income Taxes

Total income taxes for the years ended March 31, 2002, 2001 and 2000 were allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2002	2001	2000	2002
Income	¥ 30,183	¥ 35,751	¥22,689	$ 226,940
Cumulative effect of accounting change	—	(3,528)	—	—
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains (losses) on securities	(1,273)	(13,419)	3,070	(9,571)
Unrealized gains on derivative instruments	24	—	—	180
Minimum pension liabilities adjustments	(3,633)	(11,788)	5,809	(27,316)
	¥ 25,301	¥ 7,016	¥31,568	$ 190,233

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, 2002, 2001 and 2000.

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
	Years ended March 31			Year ended March 31
	2002	2001	2000	2002
Income taxes computed at statutory tax rate of 41.9%	¥27,140	¥34,586	¥30,457	$204,060
Increase (decrease) resulting from:				
Unrecognized tax benefits from subsidiaries in loss positions	2,081	1,305	1,412	15,647
Reversal of valuation allowance due to utilization of operating loss carryforwards	(670)	(2,504)	(8,689)	(5,038)
Amortization of non-deductible goodwill	763	699	118	5,737
Other, net	869	1,665	(609)	6,534
Consolidated income taxes	¥30,183	¥35,751	¥22,689	$226,940

The significant components of deferred tax assets and liabilities at March 31, 2002 and 2001 were as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2002	2001	2002
Deferred tax assets:			
Loss carryforwards	¥ 22,062	¥ 21,522	$ 165,879
Accrued pension and severance costs	17,611	17,327	132,414
Deferred revenue	11,850	11,076	89,098
Adjustment of book value at the date of acquisition—			
Land and buildings	10,245	1,291	77,030
Other assets	2,676	—	20,120
Intercompany profit	3,835	3,961	28,835
Accrued bonus	2,453	1,728	18,443
Enterprise and state income taxes	2,020	1,575	15,188
Vacation accrual	1,873	1,594	14,083
Allowance for doubtful accounts	1,627	1,209	12,233
Insurance reserve	701	1,300	5,271
Research and development expenses	694	1,213	5,218
Other	6,546	2,820	49,218
Gross deferred tax assets	84,193	66,616	633,030
Less: Valuation allowance	(21,256)	(19,960)	(159,819)
Total deferred tax assets	62,937	46,656	473,211
Deferred tax liabilities:			
Deferred installation costs	(8,052)	(7,404)	(60,541)
Adjustment of book value at the date of acquisition—			
Land and buildings	(7,012)	—	(52,722)
Other investments	(2,603)	—	(19,572)
Long-term receivables	(2,021)	—	(15,196)
Capitalization of property acquisition tax	(1,540)	(461)	(11,579)
Unearned premiums and other insurance liabilities	(1,291)	(1,235)	(9,707)
Unrealized gains on securities	(700)	(2,621)	(5,263)
Gain on securities contribution to employee retirement benefit trust	—	(8,952)	—
Reversal of securities devaluation	—	(1,558)	—
Other	(2,279)	(1,303)	(17,135)
Gross deferred tax liabilities	(25,498)	(23,534)	(191,715)
Net deferred tax assets	¥ 37,439	¥ 23,122	$ 281,496

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 years ended March 31, 2002 and 2001 was an increase of ¥1,296 million ($9,744 thousand) and ¥51 million, respectively.

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, 2002 and 2001.

No deferred income taxes have been provided on undistributed earnings of overseas subsidiaries totaling ¥3,387 million ($25,466 thousand) at March 31, 2002 because they are not expected to be remitted in the foreseeable future.

At March 31, 2002, tax loss carryforwards of domestic subsidiaries amounted to ¥47,105 million ($354,173 thousand) and are available for offsetting 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
2003	¥ 1,999	$ 15,030
2004	34,217	257,271
2005	2,338	17,579
2006	3,285	24,699
2007	5,266	39,594
	¥47,105	$354,173

The tax loss carryforwards of overseas subsidiaries at March 31, 2002 amounted to ¥6,235 million ($46,880 thousand), a part of which will begin to expire in the year ending March 31, 2003.

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 provided 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 Japanese Commercial Code, amended effective October 1, 2001, 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 an aggregate amount of additional paid-in capital and legal reserve equals 25 percent of the common stock account.

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, 2002, the parent company's Board of Directors declared an annual cash dividend of ¥9,330 million ($70,150 thousand) to shareholders of record on March 31, 2002. The dividend declared is subject to approval at the general shareholders' meeting scheduled for June 27, 2002. 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, 2002, 2001 and 2000 is as follows:

In millions of yen

	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2002:			
Unrealized losses on securities—			
Unrealized holding gains or losses arising during the period	**(¥ 9,379)**	**¥ 3,297**	**(¥ 6,082)**
Less: Reclassification adjustment for gains or losses included in net income	**5,954**	**(2,024)**	**3,930**
Unrealized gains on derivative instruments—			
Unrealized holding gains or losses arising during the year	**209**	**(74)**	**135**
Less: Reclassification adjustment for gains or losses included in net income	**(142)**	**50**	**(92)**
Minimum pension liabilities adjustments	**(9,632)**	**3,633**	**(5,999)**
Foreign currency translation adjustments	**7,043**	**—**	**7,043**
Other comprehensive income (loss)	**(¥ 5,947)**	**¥ 4,882**	**(¥ 1,065)**
For the year ended March 31, 2001:			
Unrealized losses on securities—			
Unrealized holding gains or losses arising during the period	(¥10,490)	¥ 3,994	(¥ 6,496)
Less: Reclassification adjustment for gains or losses 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)

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2000:			
Unrealized gains on securities—			
Unrealized holding gains or losses arising during the period	¥ 8,436	(¥ 3,557)	¥ 4,879
Less: Reclassification adjustment for gains or losses 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

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2002:			
Unrealized losses on securities—			
Unrealized holding gains or losses arising during the period	**($70,519)**	**$24,789**	**($45,730)**
Less: Reclassification adjustment for gains or losses included in net income	**44,767**	**(15,218)**	**29,549**
Unrealized gains on derivative instruments—			
Unrealized holding gains or losses arising during the year	**1,571**	**(556)**	**1,015**
Less: Reclassification adjustment for gains or losses included in net income	**(1,068)**	**376**	**(692)**
Minimum pension liabilities adjustments	**(72,421)**	**27,316**	**(45,105)**
Foreign currency translation adjustments	**52,955**	**—**	**52,955**
Other comprehensive income (loss)	**($44,715)**	**$36,707**	**($ 8,008)**

17. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2002, 2001 and 2000 were ¥5,121 million ($38,504 thousand), ¥3,921 million and ¥4,003 million, respectively.

18. Leased Assets—Lessee

The Company leases certain office space, employee residential facilities, computer and transportation equipment. Some leased buildings, 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 ($38,241 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, 2002 were ¥7,885 million ($59,286 thousand).

A summary of leased assets under capital leases at March 31, 2002 and 2001 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2002	2001	**2002**
Buildings and improvements	**¥ 5,185**	¥ 5,086	**$ 38,985**
Machinery, equipment and automobiles	**12,049**	11,718	**90,594**
Intangibles and other	**79**	172	**594**
Accumulated depreciation	**(6,606)**	(7,308)	**(49,669)**
	¥10,707	¥ 9,668	**$ 80,504**

Depreciation expenses under capital leases for the years ended March 31, 2002, 2001 and 2000 were ¥3,195 million ($24,023 thousand), ¥2,890 million and ¥2,527 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, 2002:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2003	¥ 3,008	$ 22,617
2004	2,289	17,211
2005	1,637	12,308
2006	1,105	8,308
2007	619	4,654
Later years	6,965	52,368
Total minimum lease payments	15,623	117,466
Less: Amount representing interest	4,226	31,774
Present value of net minimum lease payments (Note 11)	11,397	85,692
Less: Current obligations	2,599	19,541
Long-term capital lease obligations	¥ 8,798	$ 66,151

Rental expenses under operating leases for the years ended March 31, 2002, 2001 and 2000 were ¥12,961 million ($97,451 thousand), ¥12,151 million and ¥12,534 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 ($10,068 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, 2002 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2003	¥ 1,798	$ 13,519
2004	1,739	13,075
2005	1,685	12,669
2006	1,669	12,549
2007	1,667	12,534
Later years	24,577	184,789
Total future minimum lease payments	¥33,135	$249,135

19. Property on Operating Leases—Lessor

The Company's leasing operations consist principally of the leasing of certain office space and related properties. The properties on operating leases are mainly held by real estate investment companies as part of investment assets of the insurance services segment and by Arai & Co.,Ltd., which is engaged in sales and leasing services of real estate.

A summary of investment in property on operating leases and property held for lease at March 31, 2002 and 2001 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2002	2001	2002
Land	¥102,655	¥34,637	$ 771,842
Buildings and improvements	80,835	13,845	607,782
Construction in progress	26,137	16,191	196,519
Intangibles and other	1,680	65	12,632
Accumulated depreciation	(9,263)	(317)	(69,647)
	¥202,044	¥64,421	$1,519,128

The future minimum rentals on non-cancelable operating leases at March 31, 2002 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2003	¥ 9,071	$ 68,203
2004	3,589	26,985
2005	1,317	9,902
2006	1,022	7,684
2007	501	3,767
Later years	11,442	86,030
Total future minimum rentals	¥26,942	$202,571

20. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments in cases for which it is practicable.

(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

The fair values of long-term receivables are based on the present value of future cash flows through estimated maturity, discounted using estimated market discount rates. The carrying amount of long-term receivables approximates fair value.

(3) Long-Term Debt including Current Portion

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

The fair value of interest rate swaps are estimated by obtaining quotes from financial institutions.

The carrying amounts and estimated fair values of the financial instruments excluding debt and equity securities which are disclosed in Note 8 at March 31, 2002 and 2001 are as follows:

	In millions of yen			
	March 31			
	2002		2001	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Liabilities—				
Long-term debt including current portion	¥165,750	¥165,840	¥50,506	¥50,548
Derivatives:				
Assets—				
Interest rate swaps	¥ 163	¥ 163	¥ 42	¥ 260
Liabilities—				
Interest rate swaps	¥ 1,127	¥ 1,127	¥ 38	¥ 38

	In thousands of U.S. dollars	
	March 31	
	2002	
	Carrying amount	Estimated fair value
Non-derivatives:		
Derivatives—		
Long-term debt including current portion	$1,246,240	$1,246,917
Derivatives:		
Assets—		
Interest rate swaps	$ 1,226	$ 1,226
Liabilities—		
Interest rate swaps	$ 8,474	$ 8,474

Limitation:
Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

21. Derivative Financial Instruments

(1) Risk Management Policy

The Company is party to derivative financial instruments which are used in the normal course of business to reduce exposure to fluctuations in interest and foreign currency rates. The Company assesses interest rate risk and foreign currency exchange risk by continually monitoring changes in these exposures and by evaluating hedging opportunities. The Company does not hold or issue derivative financial instruments for trading purposes. The Company is also exposed to credit-related losses in the event of non-perfomance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are internationally recognized financial institutions and contracts are diversified into a number of major financial institutions.

(2) Interest Rate Risk Management

The Company's exposure to the market risk of changes in interest rates relates primarily to its debt obligations. The Company principally enters into interest rate swap agreements to manage fluctuations in cash flows resulting from changes in interest rates. Interest rate swaps are used to change floating rates on debt obligations to fixed rates by entering into receive-floating, pay-fixed interest rate swaps under which the Company receives floating interest rate proceeds and make fixed interest rate payments, thereby creating fixed-rate debt.

(3) Cash Flow Hedge

The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originated from floating rate borrowings. The interest rate swap agreements mature at various dates through 2008. Changes in fair values of derivative instruments designated as cash flow hedges of these debt obligations are reported in other comprehensive income (loss). These amounts are reclassified into current income in the same period as hedged items affect current income. Adoption of Statement of Financial Accounting Standards No. 133 and No. 138 resulted in an increase of other comprehensive income of ¥129 million ($970 thousand) at April 1, 2001. Of that amount, ¥92 million ($692 thousand) of net income was reclassified from other comprehensive income into current income for the year ended March 31, 2002 as net gains or losses relating to the hedged items affected current income. Approximately ¥43 million ($323 thousand) of net derivative income included in other comprehensive income, net of tax at March 31, 2002, will be reclassified into current income within 12 months from that date. At March 31, 2002 and 2001, the notional principal amounts of interest rate swap agreements were ¥43,683 million ($328,444 thousand) and ¥10,000 million, respectively.

(4) Non-Hedge Derivative Instuments

The parent company and its three subsidiaries entered into interest rate swap agreements whereby they 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. Changes in fair value of non-hedging derivative financial instruments are reported in income.

22. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2002 for the purchase of property, plant and equipment approximated ¥17,407 million ($130,880 thousand).

Contingent liabilities at March 31, 2002 for guarantees given in the ordinary course of business amounted to approximately ¥26,767 million ($201,256 thousand).

23. 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 ($739,759 thousand) would have been transferred from retained earnings to the appropriate capital accounts. However, there would be no effect on total shareholders' equity.

24. Gain on Sale of Subsidiaries' Shares

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 ($33,925 thousand). Through a secondary offering, Secom Techno issued an additional 2,000,000 shares for total proceeds of ¥4,512 million ($33,925 thousand). As a result of these transactions, the parent company's ownership in Secom Techno declined to 67.8 percent. The resulting pretax gain on the sale of subsidiary shares and new issuance of Secom Techno's shares of ¥2,313 million ($17,391 thousand) and ¥1,978 million ($14,872 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 is 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, The Westec Security Group, Inc. ("Westec"), a wholly owned subsidiary in the United States of America, 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 ($7,639 thousand) in cash. The sale resulted in a gain of ¥571 million ($4,293 thousand).

On February 19, 2002, Secom Joshinetsu Co., Ltd. ("Secom Joshinetsu"), a 62.0 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 1,000,000 outstanding shares of Secom Joshinetsu for a sales price of ¥2,162 million ($16,256 thousand). Through a secondary offering, Secom Joshinetsu issued an additional 500,000 shares for total proceeds of ¥1,081 million ($8,128 thousand). As a result of these transactions, the parent company's ownership in Secom Joshinetsu declined to 52.1 percent. The resulting pretax gains on the sale of subsidiary shares and new issuance of Secom Joshinetsu's shares of ¥700 million ($5,263 thousand) and ¥160 million ($1,203 thousand), respectively, are recognized in the consolidated statement of income for the year ended March 31, 2002. In the consolidated statement of cash flows for the year ended March 31, 2002, the gain on sale of subsidiary shares is 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 Joshinetsu to minority shareholders are classified in the cash flows from financing activities.

25. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2002	2001	2000	2002
Cash paid during the year for:				
Interest	¥ 1,568	¥ 1,996	¥ 1,511	$ 11,789
Income taxes	¥31,952	¥25,762	¥ 30,841	$240,241
Non-cash investing and financing activities:				
Conversion of convertible bond to common stock and additional paid-in capital	¥ 467	¥ 60	¥ 774	$ 3,512
Additions to obligations under capital leases	¥ 3,959	¥ 2,654	¥ 3,344	$ 29,767
Acquisition—				
Fair value of assets acquired	¥73,944	¥ 7,550	¥ 48,579	$555,970
Cash paid for capital stock	(4,957)	(3,980)	(15,000)	(37,270)
Minority shareholders' interest	(13)	—	(4,541)	(98)
Net liabilities assumed	¥68,974	¥ 3,570	¥29,038	$518,602

26. Segment Information

The Company has applied 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, sale and lease 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 sub-set or an integrated part of the real estate package.

Revenue and other income by segment includes interest income and other revenue reasonably allocated to the segments. Corporate revenue includes 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, 2002, 2001 and 2000 is as follows:

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2002	2001	2000	2002
Revenue and other income:				
Security services—				
Customers	¥342,169	¥316,139	¥295,834	$2,572,699
Intersegment	2,448	1,285	3,305	18,406
	344,617	317,424	299,139	2,591,105
Medical services—				
Customers	13,507	6,347	1,326	101,557
Intersegment	166	147	140	1,248
	13,673	6,494	1,466	102,805
Insurance services—				
Customers	28,759	23,303	30,462	216,233
Intersegment	1,920	2,030	2,250	14,436
	30,679	25,333	32,712	230,669
Information and communication related and other services—				
Customers	103,315	92,552	72,684	776,804
Intersegment	4,213	5,715	1,821	31,677
	107,528	98,267	74,505	808,481
Total	496,497	447,518	407,822	3,733,060
Eliminations	(8,747)	(9,177)	(7,516)	(65,767)
Corporate items	5,776	29,952	12,118	43,429
Consolidated revenue and other income	¥493,526	¥468,293	¥412,424	$3,710,722
Income (loss) before income taxes:				
Security services	¥ 82,984	¥ 77,389	¥ 76,073	$ 623,940
Medical services	(698)	(1,522)	(566)	(5,248)
Insurance services	304	(1,629)	4,339	2,286
Information and communication related and other services	(130)	366	2,137	(978)
Total	82,460	74,604	81,983	620,000
Corporate items and eliminations	(16,091)	9,865	(8,063)	(120,985)
Interest expense	(1,596)	(1,925)	(1,231)	(12,000)
Consolidated income before income taxes	¥ 64,773	¥ 82,544	¥ 72,689	$ 487,015

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2002	2001	2000	2002
Assets:				
Security services	¥ 408,657	¥369,582	¥322,681	$3,072,609
Medical services	61,615	11,241	2,061	463,271
Insurance services	352,454	213,438	144,963	2,650,030
Information and communication related and other services	179,383	137,362	154,045	1,348,744
Total	1,002,109	731,623	623,750	7,534,654
Corporate items	129,061	118,292	133,522	970,384
Investments in and loans to affiliated companies	34,943	32,419	24,950	262,729
Total assets	¥1,166,113	¥882,334	¥782,222	$8,767,767

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2002	2001	2000	2002
Depreciation and amortization:				
Security services	¥ 42,106	¥39,005	¥31,361	$ 316,586
Medical services	1,301	546	94	9,782
Insurance services	1,253	626	(602)	9,421
Information and communication related and other services	4,234	4,039	3,234	31,835
Total	48,894	44,216	34,087	367,624
Corporate items	997	804	168	7,496
Total depreciation and amortization	¥ 49,891	¥45,020	¥34,255	$ 375,120
Capital expenditures:				
Security services	¥ 52,165	¥48,220	¥36,459	$ 392,218
Medical services	2,717	376	132	20,429
Insurance services	104,398	58,247	12,885	784,947
Information and communication related and other services	2,928	3,634	3,449	22,015
Total	162,208	110,477	52,925	1,219,609
Corporate items	13	2,769	983	98
Total capital expenditures	¥162,221	¥113,246	¥53,908	$1,219,707

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
	2002	2001	2000	**2002**
Electronic security services:				
Commercial security and home security	**¥244,494**	¥230,763	¥221,765	**$1,838,301**
Large-scale proprietary systems	**3,438**	3,647	3,773	**25,850**
Other security services:				
Static guard services	**34,107**	32,204	31,663	**256,443**
Armored car services	**17,001**	15,109	13,540	**127,827**
Merchandise and other	**43,129**	34,416	25,093	**324,278**
Total security services	**¥342,169**	¥316,139	¥295,834	**$2,572,699**

(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, 2002, 2001 and 2000 was as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2002	2001	2000	**2002**
Revenue and other income:				
Japan	**¥480,165**	¥455,623	¥398,865	**$3,610,263**
Others	**13,361**	12,670	13,559	**100,459**
Total	**¥493,526**	¥468,293	¥412,424	**$3,710,722**

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2002	2001	2000	**2002**
Long-lived assets:				
Japan	**¥463,144**	¥302,366	¥204,234	**$3,482,286**
Others	**6,384**	6,421	6,670	**48,000**
Total	**¥469,528**	¥308,787	¥210,904	**$3,530,286**

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

27. Subsequent Event

On April 23, 2002, following the enactment of the Welfare Pension Insurance Law in Japan, the parent company and certain of its subsidiaries obtained approval from Japan's Ministry of Health, Labour and Welfare for exemption from the future benefit obligation with respect to the portion of the Employees Pension Funds that the parent company and certain of its subsidiaries operate on behalf of the Japanese government.

On August 13, 2002, the parent company repurchased its own stock, in accordance with the resolution approved by the shareholders' meeting held on June 27, 2002. The shares repurchased were 8,000,000 shares at ¥5,420 ($40.75) per share for an aggregate amount of ¥43,360 million ($326,015 thousand).

KPMG

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

We have audited the accompanying consolidated balance sheets of Secom Co., Ltd. and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years 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 for the year ended March 31, 2000, were audited by other auditors whose report dated May 15, 2000, expressed an unqualified opinion on those statements, before the restatement described in Note 2 (1) to the consolidated financial statements.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements for the years ended March 31, 2002 and 2001 referred to above present fairly, in all material respects, the financial position of Secom Co., Ltd. and subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 (1) to the consolidated financial statements, the Company changed its reporting entity in the year ended March 31, 2002. The consolidated financial statements of all periods presented have been restated.

As discussed in Note 2 (12) to the consolidated financial statements, the Company changed its method of revenue recognition in the year ended March 31, 2001.

We also audited the adjustments described in Note 2 (1) to the consolidated financial statements that were applied to restate the consolidated financial statements for the year ended March 31, 2000. In our opinion, such adjustments are appropriate and have been properly applied.

The accompanying consolidated financial statements as of and for the year ended March 31, 2002 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 to the consolidated financial statements.

KPMG

Tokyo, Japan
May 16, 2002, except as to the last paragraph of Note 27 to the consolidated financial statements, which is as of August 13, 2002.

SUMMARY OF SELECTED FINANCIAL DATA

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

In millions of yen

	2002	2001	2000	1999	1998	1997
Composition of consolidated revenue and other income by segment						
Revenue and other income	**¥493,526**	¥468,293	¥412,424	¥394,146	¥322,804	¥303,796
Security services:	**342,169**	316,139	295,834	293,104	282,066	266,209
As a percentage of revenue and other income	***69.3%***	*67.5%*	*71.8%*	*74.4%*	*87.3%*	*87.7%*
Electronic security services—						
Commercial security and home security	**244,494**	230,763	221,765	219,670	209,855	199,498
As a percentage of revenue and other income	***49.5***	*49.3*	*53.8*	*55.7*	*65.0*	*65.7*
Large-scale proprietary systems	**3,438**	3,647	3,773	4,223	4,264	3,980
As a percentage of revenue and other income	***0.7***	*0.8*	*0.9*	*1.1*	*1.3*	*1.3*
Subtotal	**247,932**	234,410	225,538	223,893	214,119	203,478
Other security services—						
Static guard services	**34,107**	32,204	31,663	30,178	28,852	26,487
As a percentage of revenue and other income	***6.9***	*6.9*	*7.7*	*7.7*	*8.9*	*8.7*
Armored car services	**17,001**	15,109	13,540	12,275	11,522	10,558
As a percentage of revenue and other income	***3.5***	*3.2*	*3.3*	*3.1*	*3.6*	*3.5*
Subtotal	**51,108**	47,313	45,203	42,453	40,374	37,045
Merchandise and other	**43,129**	34,416	25,093	26,758	27,573	25,686
As a percentage of revenue and other income	***8.7***	*7.3*	*6.1*	*6.8*	*8.5*	*8.5*
Medical services	**13,507**	6,347	1,326	1,075	855	681
As a percentage of revenue and other income	***2.7***	*1.4*	*0.3*	*0.3*	*0.3*	*0.2*
Insurance services	**28,759**	23,303	30,462	4,775	5,365	4,633
As a percentage of revenue and other income	***5.8***	*5.0*	*7.4*	*1.2*	*1.7*	*1.5*
Information and communication related and other services	**103,315**	92,552	72,684	55,367	30,910	29,301
As a percentage of revenue and other income	***20.9***	*19.8*	*17.6*	*14.0*	*9.6*	*9.7*
Corporate items	**5,776**	29,952	12,118	39,825	3,608	2,972
As a percentage of revenue and other income	***1.3***	*6.3*	*2.9*	*10.1*	*1.1*	*0.9*
Net income, cash dividends and shareholders' equity						
Net income	**¥ 34,082**	¥ 43,996	¥ 47,326	¥ 49,918	¥ 18,990	¥ 22,798
Cash dividends (paid)[3]	**9,324**	9,323	8,146	7,555	6,972	5,719
Shareholders' equity	**401,326**	377,304	373,806	327,147	283,840	284,634
Consolidated financial ratios						
Percentage of working capital accounted for by:						
Debt—						
Bank loans	**10.7**	14.5	15.6	8.4	5.7	8.3
Current portion of long-term debt	**4.4**	1.9	1.2	2.5	1.7	2.3
Convertible bonds	**0.0**	0.1	0.1	0.3	0.6	0.7
Straight bonds	**5.6**	2.0	2.1	2.6	3.0	1.5
Other long-term debt	**16.1**	6.1	3.2	2.6	3.4	2.2
Total debt	**36.8**	24.6	22.2	16.4	14.4	15.0
Shareholders' equity	**63.2**	75.4	77.8	83.6	85.6	85.0
Total capitalization	**100.0**	100.0	100.0	100.0	100.0	100.0
Return on total assets (percent) (a)	**2.9**	5.0	6.1	7.8	4.0	4.9
Return on equity (percent) (b)	**8.5**	11.7	12.7	15.3	6.7	8.0
Percentage of revenue and other income absorbed by:						
Depreciation and amortization	**10.1**	9.6	8.3	7.8	9.2	9.5
Rental expense	**2.6**	2.6	3.0	2.7	3.2	3.4
Ratio of accumulated depreciation to depreciable assets (percent)	**53.3**	58.6	63.2	62.1	61.7	60.8
Net property turnover (times)	**1.17**	1.75	2.25	2.53	2.15	2.27
Before-tax interest coverage (times) (c)	**41.6**	43.9	60.0	77.7	50.3	46.4
Before-tax interest and rental coverage (times) (d)	**11.9**	14.8	14.4	19.1	12.5	12.7

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

	2002	2001	2000	1999	1998	1997
Number of shares outstanding[1]						
Issued	233,274,769	233,099,744	233,075,442	116,392,109	116,233,393	116,203,824
Owned by the Company	22,512	510	4,840	11,817	3,185	2,926
Balance	233,252,257	233,099,234	233,070,602	116,380,292	116,230,208	116,200,898
Per share information[1]						
Basic net income per share (in yen)[2]	¥ 146.19	¥ 188.76	¥ 203.22	¥ 214.51	¥ 81.70	¥ 98.69
Cash dividends paid per share (in yen)[3]	40.00	40.00	35.00	32.50	30.00	25.00
Shareholders' equity per share (in yen)[4]	1,720.57	1,618.64	1,603.83	1,405.51	1,221.03	1,224.75
Cash flow per share (in yen)[2] [e]	320.17	341.90	310.28	310.76	177.01	193.68
Price/Book value ratio	3.33	4.39	5.49	3.99	3.34	2.84
Price/Earnings ratio	39.20	37.61	43.30	26.15	49.88	35.21
Price/Cash flow ratio	17.90	20.77	28.36	18.05	23.02	17.94
Stock price at year-end (in yen)	5,730	7,100	8,800	5,610	4,075	3,475

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 amotization - 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, 2002, cash dividends of ¥9,330 million (¥40 per share) were approved at the general shareholders' meeting on June 27, 2002 (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.
(5) During the year ended March 31, 2002, the Company changed its reporting entity for specific entities. The consolidated financial statements as of and for the years ended March 31, 2001 and 2000 have been restated as a result.

COMMON STOCK DATA

SECOM CO., LTD.
As of March 31

SHAREHOLDER INFORMATION

	2002	2001	2000	1999	1998	1997
Number of shareholders	17,609	15,621	15,019	9,458	9,911	10,849
Common shares held by:						
Financial institutions	45.31%	44.44%	42.74%	45.71%	44.26%	42.57%
Securities firms	1.61	1.73	2.66	0.90	0.98	1.31
Other corporations	13.78	13.84	13.86	13.67	13.73	14.05
Foreign investors	24.64	25.76	25.96	26.90	27.40	27.03
Individuals and others	14.66	14.23	14.78	12.82	13.63	15.04
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

PRICE INFORMATION (TOKYO STOCK EXCHANGE)

		Price per share (in yen)		Nikkei Stock Average (in yen)	
		High	Low	High	Low
2000	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
	April–June	7,820	6,410	14,529.41	12,574.26
	July–September	6,950	4,880	12,817.41	9,504.41
	October–December	7,040	5,890	11,064.30	9,924.23
2002	January–March	6,900	5,330	11,919.30	9,420.85

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
Mar. 31, 2002	175	233,275	66,360,338	—	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.

SUPPLEMENTAL NONCONSOLIDATED FINANCIAL DATA

CONTENTS

SECOM CO., LTD.
As of March 31

In millions of yen

ASSETS	2002	2001	2000	1999	1998	1997
Current assets:						
Cash on hand and in banks	¥101,947	¥ 77,581	¥ 92,077	¥ 93,901	¥ 83,462	¥ 95,566
Notes receivable	741	538	324	459	392	481
Due from subscribers	7,727	7,073	6,243	5,564	5,218	5,034
Accounts receivable, trade	6,720	5,089	4,173	3,238	3,409	3,010
Receivables—other	3,537	3,123	3,457	1,243	1,003	1,512
Marketable securities	1,479	6,313	15,483	25,888	31,151	26,115
Common stock in treasury	—	3	42	119	25	19
Merchandise	9,563	6,625	5,525	4,805	3,642	3,972
Supplies	1,649	1,326	1,122	948	967	821
Prepaid expenses	1,858	1,606	1,370	1,241	1,084	1,221
Deferred income taxes	4,096	3,064	1,961	—	—	—
Short-term loans	40,660	28,898	33,189	29,031	23,683	17,263
Other current assets	2,458	2,683	4,275	1,513	1,390	1,413
Allowance for doubtful accounts	(2,960)	(2,246)	(137)	(146)	(136)	(102)
Total current assets	179,475	141,676	169,104	167,804	155,290	156,325
Fixed assets:						
Tangible assets:						
Buildings and improvements	20,576	23,007	23,697	24,295	23,617	21,247
Automobiles	635	680	579	737	815	925
Signal equipment on subscribers' premises	56,633	51,876	47,158	44,244	36,579	32,637
Control station signal equipment	18,583	18,635	18,667	18,442	19,160	21,259
Machinery and equipment	3,571	4,105	2,907	1,509	1,535	1,584
Tools, furniture and fixtures	3,384	3,317	2,335	2,167	2,167	2,269
Land	37,907	37,838	35,153	34,997	34,525	27,297
Construction in progress	2,012	2,327	1,616	1,693	1,630	1,459
Other	25	16	18	19	11	12
Intangible assets:						
Telephone rights and other	3,602	4,702	6,518	4,533	4,458	4,141
Telephone and telegraph utility rights	635	804	1,157	1,976	2,957	4,047
Software	10,536	11,423	3,314	—	—	—
Investments and other:						
Investment securities	23,579	27,285	10,706	12,519	5,535	5,674
Investments in subsidiaries and affiliated companies	160,870	145,227	129,771	112,714	105,145	99,603
Long-term loans receivable	9,749	11,242	2,636	3,112	2,951	3,238
Lease deposits	8,505	8,698	6,803	6,890	6,494	6,572
Long-term prepaid expenses	1,026	1,263	1,540	9,437	7,292	6,820
Deferred income taxes	19,223	—	1,632	—	—	—
Other investments	11,555	11,423	9,429	6,671	4,177	4,232
Allowance for doubtful accounts	(1,312)	(1,205)	(13)	(14)	(30)	(33)
Total fixed assets	391,294	362,663	305,623	285,941	259,018	242,983
Total assets	¥570,769	¥504,339	¥474,727	¥453,745	¥414,308	¥399,308

In millions of yen

LIABILITIES AND SHAREHOLDERS' EQUITY	2002	2001	2000	1999	1998	1997
Current liabilities:						
Accounts payable	¥ 1,814	¥ 1,908	¥ 1,683	¥ 1,671	¥ 1,256	¥ 1,032
Bank loans	15,234	20,157	23,455	21,058	10,193	20,884
Current portion of straight and convertible bonds	33	—	—	5	394	—
Payables—other	10,168	10,722	7,590	6,707	5,640	5,018
Accrued expenses	619	5,714	5,484	5,356	6,248	5,621
Deposits received	20,868	15,682	18,785	25,440	17,548	16,081
Deferred revenue—service charges	20,109	19,583	19,255	18,735	18,087	16,640
Income taxes payable	18,163	13,904	9,858	13,771	14,808	13,918
Payables—construction	3,514	4,328	4,123	3,173	3,326	3,474
Accrued bonus	4,940	—	—	—	—	—
Other current liabilities	2,772	2,438	3,331	2,211	4,157	1,787
Total current liabilities	98,234	94,436	93,564	98,127	81,657	84,455
Fixed liabilities:						
Straight and convertible bonds	30,018	518	578	1,347	1,724	2,266
Guarantee deposits received	16,446	15,785	15,047	14,607	14,194	12,821
Deferred tax liabilities	—	581	—	—	—	—
Accrued severance indemnities	—	—	369	378	397	409
Accrued pension and severance costs	31,342	1,999	—	—	—	—
Other fixed liabilities	—	120	—	557	—	—
Total fixed liabilities	77,806	19,003	15,994	16,889	16,315	15,496
Total liabilities	176,040	113,439	109,558	115,016	97,972	99,951
Shareholders' equity:						
Common stock	66,360	66,127	66,097	65,710	65,327	65,253
Statutory reserve:						
Additional paid-in capital	82,536	82,303	82,273	81,782	78,110	78,036
Legal reserve	9,028	8,077	7,127	6,294	5,521	4,805
Total statutory reserve	91,564	90,380	89,400	88,076	83,631	82,841
Voluntary reserve:						
Reserve for systems development	800	800	800	800	800	800
Reserve for tax deferral on assets replacement	29	30	31	56	58	60
General reserve	2,212	2,212	2,212	2,212	2,212	2,212
Total voluntary reserve	3,041	3,042	3,043	3,068	3,070	3,072
Unappropriated earned surplus	233,264	226,776	206,629	181,875	164,308	148,191
Unrealized gains on securities	642	4,575	—	—	—	—
Treasury stock	(142)	—	—	—	—	—
Total shareholders' equity	394,729	390,900	365,169	338,729	316,336	299,357
Total liabilities and shareholders' equity	¥570,769	¥504,339	¥474,727	¥453,745	¥414,308	¥399,308

NONCONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD.
Years ended March 31

In millions of yen

	2002	2001	2000	1999	1998	1997
Revenue:	¥274,669	¥257,009	¥242,462	¥231,505	¥222,541	¥212,887
Percent change from prior year	*6.9%*	*6.0%*	*4.7%*	*4.0%*	*4.5%*	*6.4%*
Service charges	244,015	230,723	218,978	210,239	201,929	191,465
Percent change from prior year	*5.8*	*5.4*	*4.2*	*4.1*	*5.5*	*6.4*
Sales of merchandise	30,654	26,286	23,484	21,266	20,612	21,422
Percent change from prior year	*16.6*	*11.9*	*10.4*	*3.2*	*(3.8)*	*5.7*
Costs:	162,428	141,310	130,586	123,180	117,801	113,495
As a percent of revenue	*59.1*	*55.0*	*53.9*	*53.2*	*52.9*	*53.3*
Cost of service	140,001	122,457	113,816	108,349	103,887	98,381
As a percent of service charges	*57.4*	*53.1*	*52.0*	*51.5*	*51.4*	*51.4*
Cost of sales	22,427	18,853	16,770	14,831	13,914	15,114
As a percent of merchandise sales	*73.2*	*71.7*	*71.4*	*69.7*	*67.5*	*70.6*
Gross profit:	112,241	115,699	111,876	108,325	104,740	99,392
As a percent of revenue	*40.9*	*45.0*	*46.1*	*46.8*	*47.1*	*46.7*
Gross profit on service	104,014	108,266	105,162	101,890	98,042	93,084
As a percent of service charges	*42.6*	*46.9*	*48.0*	*48.5*	*48.6*	*48.6*
Gross profit on sales	8,227	7,433	6,714	6,435	6,698	6,308
As a percent of merchandise sales	*26.8*	*28.3*	*28.6*	*30.3*	*32.5*	*29.4*
Selling, general and administrative expenses	73,339	62,485	60,212	58,186	61,572	58,627
As a percent of revenue	*26.7*	*24.3*	*24.8*	*25.1*	*27.7*	*27.6*
Operating profit	38,902	53,214	51,664	50,139	43,168	40,765
As a percent of revenue	*14.2*	*20.7*	*21.3*	*21.7*	*19.4*	*19.1*
Other income (expenses)						
Interest, dividends, and other income	4,660	7,212	5,210	5,198	4,230	3,731
Interest expense	(354)	(269)	(15)	(18)	(36)	(101)
Other expense	(4,316)	(6,918)	(4,822)	(4,804)	(3,887)	(3,091)
Ordinary profit	38,892	53,239	52,037	50,515	43,475	41,304
As a percent of revenue	*14.2*	*20.7*	*21.5*	*21.8*	*19.5*	*19.4*
Extraordinary profit	28,211	23,247	5,427	12,073	—	—
Extraordinary loss	(38,712)	(24,570)	(5,810)	(12,168)	—	—
Income before income taxes	28,391	51,916	51,654	50,420	43,475	41,304
As a percent of revenue	*10.3*	*20.2*	*21.3*	*21.8*	*19.5*	*19.4*
Provision for income taxes	11,442	21,320	21,382	24,343	19,491	18,773
Effective tax rate	*40.3*	*41.1*	*41.4*	*48.3*	*44.8*	*45.5*
Net income	16,949	30,596	30,272	26,077	23,984	22,531
As a percent of revenue	*6.2*	*11.9*	*12.5*	*11.3*	*10.8*	*10.6*
Percent change from prior year	*(44.6)*	*1.1*	*16.1*	*8.7*	*6.4*	*7.2*

Headquarters:	5-1, Jingumae 1-chome, Shibuya-ku, Tokyo 150-0001, Japan
Independent auditors:	KPMG
Transfer agent:	The Mitsubishi Trust and Banking Corporation 11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo 100-8212, Japan

MAJOR CONSOLIDATED SUBSIDIARIES

(As of July 31, 2002)

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business
Domestic			
<Security services>			
Secom Joshinetsu Co., Ltd.	¥3,530	52.1%	Security services
Secom Hokuriku Co., Ltd.	201	59.1	Security services
Secom Yamanashi Co., Ltd.	15	70.0	Security services
Secom Mie Co., Ltd.	50	51.0	Security services
Secom Sanin Co., Ltd.	45	57.3	Security services
Secom Miyazaki Co., Ltd.	30	68.3	Security services
Secom Jastic Co., Ltd.	210	100.0	Security services
Secom Jastic Joshinetsu Co., Ltd.	40	(100.0)	Security services
Secom Jastic Hokuriku Co., Ltd.	10	(100.0)	Security services
Secom Jastic Miyazaki Co., Ltd.	10	(100.0)	Security services
Secom Jastic Akita Co., Ltd.	10	100.0	Security services
Secom Jastic Sanin Co., Ltd.	10	(100.0)	Security services
Secom Jastic Yamanashi Co., Ltd.	10	(100.0)	Security services
Secom Static Hokkaido Co., Ltd.	50	100.0	Security services
Secom Static Tohoku Co., Ltd.	50	100.0	Security services
Secom Static Nishi-Nihon Co., Ltd.	50	100.0	Security services
Secom Static Kansai Co., Ltd.	50	100.0	Security services
SP Alarm Sado Co., Ltd.	24	(52.3)	Security services
Chuo Bohan Co., Ltd.	308	82.5	Security services
Chuo Bohan Act Service Co., Ltd.	10	(100.0)	Security services
JK. Siress Co., Ltd.	10	(100.0)	Security services
Japan Safety Guard Co., Ltd.	100	60.0	Security services
Meian Co., Ltd.	30	51.0	Security services
Secom Techno Service Co., Ltd.	2,358	67.8	Installation and maintenance of security equipment
Secom Tech Sanin Co., Ltd.	23	(52.2)	Installation of security equipment
Secom Techno Miyazaki Co., Ltd.	20	(100.0)	Installation of security equipment
Secom Techno Joshinetsu Co., Ltd.	20	(76.6)	Installation of security equipment
Secom Maintenance Joshinetsu Co., Ltd.	10	(100.0)	Maintenance of equipment
TES Co., Ltd.	20	(100.0)	Maintenance of equipment
Riken Maintenance Co., Ltd.	10	(100.0)	Maintenance of facilities
Secom Industries Co., Ltd.	499	100.0	Manufacturing of security equipment
Otec Electronics Co., Ltd.	200	76.0	Manufacturing and sales of security systems
Secom Alpha Co., Ltd.	271	100.0	Sales of security and water-treatment equipment
Secom Corporation	100	100.0	Printing services
Secom HGS Co., Ltd.	100	100.0	Specialized security services
Secom Auto Service Co., Ltd.	45	100.0	Car maintenance
<Medical services>			
Secom Medical System Co., Ltd.	200	100.0	Home health/nursing care and other medical related services
Seisho Corporation	10	(100.0)	Maintenance of medical facilities
Koyu Co., Ltd.	10	(100.0)	Sales of medical and other supplies
Kyokushin Shoji Co., Ltd.	10	(100.0)	Management of real estate
Mac Corporation	95	(100.0)	Sales of medical equipment
Yoshikikaku Co., Ltd.	234	(100.0)	Sales and leasing of medical equipment
Kensei Co., Ltd.	100	(100.0)	Management of pharmacies
Shoen Co., Ltd.	20	(100.0)	Medical leasing
Ryomei Royal Life Co., Ltd.	210	51.8	Management of nursing homes
Central Medical Service Co., Ltd.	50	(100.0)	Management of nursing homes
Japan Life Plus Medical Co., Ltd.	10	(100.0)	Medical related services
<Insurance services>			
Secom Insurance Service Co., Ltd.	165	(100.0)	Non-life insurance agency
Secom General Insurance Co., Ltd.	5,611	82.5	Non-life insurance

• ( ) indicates the percentage of equity/voting rights held by both SECOM Co., Ltd., and certain of its subsidiaries, or by certain subsidiaries independently.
• Subsidiaries are categorized into segments above according to their major lines of business.

(*Continued*)

MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business
<Information and communication related and other services>			
Secom Trust.net Co., Ltd.	¥1,469	76.0%	Information, communication and cyber security services
Secom Information System Co., Ltd.	350	100.0	Software development
Laboratory for Innovators of Quality of Life	100	(94.5)	Research and planning of social life
Secom Wintech Yamanashi Co., Ltd.	20	(100.0)	Internet provider
Cable Net Niigata Co., Ltd.	1,692	(89.8)	CATV broadcasting service
Pasco Corporation	8,758	70.0	Geographic information system services
Pasco Road Center Co., Ltd.	50	(61.0)	Geographic information system services
GIS Tokyo Co., Ltd.	100	(100.0)	Geographic information system services
GIS Hokkaido Co., Ltd.	50	(100.0)	Geographic information system services
GIS Hokuriku Co., Ltd.	20	(80.0)	Geographic information system services
GIS Kyushu Co., Ltd.	50	(88.4)	Geographic information system services
Ject Co., Ltd.	54	(100.0)	Geographic information system services
Ject Kansai Co., Ltd.	80	(100.0)	Geographic information system services
Ject Chugoku Co., Ltd.	80	(100.0)	Geographic information system services
Land Readjustment Co., Ltd.	50	(90.0)	Geographic information system services
Esri Japan, Inc.	50	(75.0)	Geographic information system services
Secom Lines Co., Ltd.	1,398	97.6	Sales of educational systems
Masterpiece Co., Ltd.	21	(100.0)	Sales and development of software
Kansai Lines Co., Ltd.	50	(96.0)	Sales of educational systems
Secom Home Life Co., Ltd.	3,700	99.9	Development of residential buildings
Arai & Co., Ltd.	1,500	(80.0)	Real estate
Stappy, Inc.	5	100.0	Management of real estate
Arai Corporation, Inc.	10	(100.0)	Management of real estate
Arai Homes Co., Ltd.	10	(100.0)	Real estate
Secom Credit Co., Ltd.	400	100.0	Credit services
Wonder Dream Co., Ltd.	490	100.0	Employee welfare for SECOM Group
Secom Staff Service Co., Ltd.	50	(100.0)	Employment agency
ACM Enterprise Co., Ltd.	40	(72.5)	Management of soccer school

Overseas

<Security services>

	Issued capital		Percentage of equity/ voting rights	Lines of business
The Westec Security Group, Inc.	US$0.3	thousand	100.0	Holding company
Westec Security, Inc.	US$95	thousand	(100.0)	Security services
Westec Interactive Security, Inc.	US$9	thousand	(92.8)	Security services
Westec Franchising, Inc.	US$100	thousand	(100.0)	Sales of franchises with Westec trademark
Secom Plc	£39,126	thousand	100.0	Security services
Secom (China) Co., Ltd.	Rmb312,968	thousand	100.0	Holding company
Dalian Secom Security Co., Ltd.	Rmb17,228	thousand	(95.0)	Security services
Shanghai Secom Security Co., Ltd.	Rmb29,122	thousand	(90.0)	Security services
Beijing Jingdun Secom Electronic Security Co., Ltd.	Rmb20,792	thousand	(80.0)	Security services
Qingdao Secom Security Co., Ltd.	Rmb8,298	thousand	(80.0)	Security services
P.T. Secom Indopratama	US$3,750	thousand	80.0	Security services
P.T. Secom Bhayangkara	IDR2,000	million	(80.0)	Security services
Thaisecom Pitakkij Co., Ltd.	THB300	million	88.4	Security services
Secominter (Australia) Pty. Ltd.	AUD31.5	million	100.0	Holding company
Secom Australia Pty. Ltd.	AUD32.0	million	(100.0)	Security services

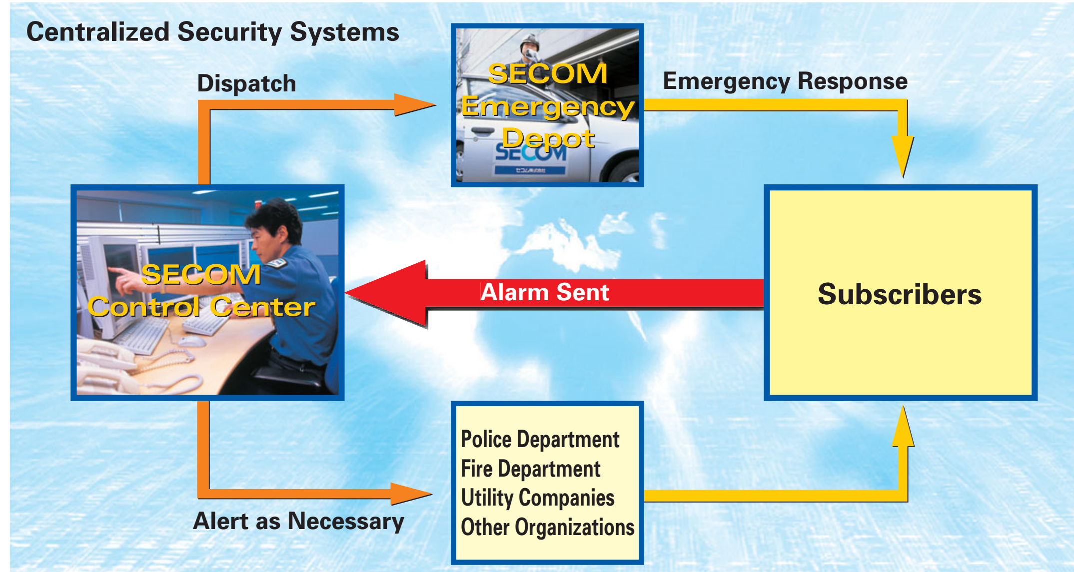
<Other services>

	Issued capital		Percentage of equity/ voting rights	Lines of business
Secominter Europe B.V.	EUR217	thousand	100.0	Holding company
Secom Investment (Singapore) Pte Ltd	SGD1,000	thousand	100.0	Investment
Asia Pacific Business Link Ltd.	US$8,470	thousand	75.2	Holding company
Shanghai Asia Pacific Property Co., Ltd.	US$5,000	thousand	(100.0)	Housing-related business
P.T. Nusantara Systems International	US$10,649	thousand	(58.5)	Software development
Pasco Certeza Computer Mapping Corporation	PHP8,400	thousand	(70.0)	Geographic information system services
Beijing Secom Information Technology Co., Ltd.	US$2,500	thousand	(100.0)	Development of information systems
ClearLight Partners, LLC	US$46,847	thousand	(99.7)	Investment
Gold Stone Investment Inc.	US$3	thousand	(100.0)	Investment

• (   ) indicates the percentage of equity/voting rights held by both SECOM Co., Ltd., and certain of its subsidiaries, or by certain subsidiaries independently.
• Subsidiaries are categorized into segments above according to their major lines of business.

SECOM GROUP'S BASIC BUSINESS AREAS

SECOM offers a wide range of services and products that help provide peace of mind in today's rapidly changing society.



Security Services

Centralized Security Systems

Commercial Use:

- **SECOM AX**
  SECOM AX is a new-generation security control system with advanced on-site image sensors that incorporate microphones to enable the SECOM control center staff to visually check the subscriber's premises.
- **SECOM IX**
  SECOM IX is a remote imaging security system for commercial facilities offering around-the-clock services.
- **SECOM SX**
  SECOM SX is a standard on-line security system designed for small commercial buildings, offices and restaurants.
- **SECOM MX**
  SECOM MX is an on-line comprehensive security package for medium-sized commercial establishments and schools.
- **SECOM TX**
  SECOM TX provides on-line protection for commercial buildings with more than one tenant.
- **HANKS SYSTEM**
  HANKS SYSTEM is an on-line security control system for automated banking facilities.
- **SECOM CX**
  SECOM CX offers a comprehensive building management system that monitors and manages large building complexes.

Residential Use:

- **SECOM HOME SECURITY**
  SECOM HOME SECURITY is a total home security system combining basic intrusion- and fire-prevention services and emergency call services, as well as gas leak monitoring and medical emergency call service options. The system is linked around-the-clock with a SECOM control center, where personnel respond immediately in the event of a problem by dispatching emergency response personnel and, if necessary, contacting the appropriate authorities.
- **SECOM CONDOMINIUM SECURITY SYSTEMS**
  SECOM condominium security systems provide comprehensive building management functions for condominiums and total safety with a centralized security system for each unit in the building.

Large-Scale Proprietary Systems

- **SECOM TOTAX ZETA**
  SECOM TOTAX ZETA integrates cutting-edge networking capabilities and a security system into a comprehensive local control system for industrial complexes and buildings.

COCO-SECOM

COCO-SECOM is an innovative system that uses signals from Global Positioning System (GPS) satellites and mobile phone base stations to locate moving subjects, such as people, vehicles and property. If requested by the customer, SECOM also dispatches emergency response personnel to physically locate the subject. The services include COCO-SECOM EZ, a mobile phone-based medical emergency alert service; Automobile Emergency Monitoring Service, a car alarm service that monitors parked vehicles; and COCO-SECOM G-Manager, a group search function which allows the subscriber to pinpoint simultaneously the location of a number of automobiles or people.

Static Guard Services

Static guard services are provided for facilities where customer needs are best served by professionally trained on-site personnel.

Armored Car Services

SECOM provides armored car services for the collection and transportation of cash and securities.

Merchandise

- **SECOM CCTV SYSTEM**
  SECOM CCTV SYSTEM is a multifunctional, cost-effective closed-circuit surveillance camera system. The SUPER CCTV SYSTEM version detects attempts to interfere with the surveillance camera.
- **SECURILOCK**
  SECURILOCK uses identification numbers and integrated circuit (IC) pass cards to control access to restricted areas.
- **SESAMO SERIES**
  SESAMO SERIES comprises access-control systems for use in corporate offices, factories, parking facilities and any other security-sensitive area. These systems employ such technologies as wireless IC pass cards, magnetic cards, personal identification numbers, microwave transmission and fingerprint identification, as well as PC-operated access-control systems.
- **TOMAHAWK SERIES**
  TOMAHAWK SERIES is an extensive lineup of innovative extinguishing systems, including TOMAHAWK MACH II residential-use fire extinguisher and TOMAHAWK III high-speed automated fire extinguishing system with gas suppression.
- **PYTHAGORAS SERIES**
  PYTHAGORAS SERIES is a security vault with superior protection, heat resistance and performance.
- **SENSOR LIGHT**
  SENSOR LIGHT is a sensor-equipped light activated automatically when the sensor detects human body temperature.

Medical Services

- **HOME MEDICAL SERVICES**
  SECOM's medical services for patients at home include pharmaceutical services, encompassing the preparation—in the SECOM Pharmacy cleanroom—and delivery of prescription pharmaceuticals, and home nursing services provided through visiting nurse stations.
- **HOME-BASED PERSONAL CARE SERVICES**
  SECOM provides patients recovering at home with helpers to assist with personal hygiene, bathing, exercise and other daily activities, as well as provide light housekeeping.
- **SECOM UBIQUITOUS ELECTRONIC MEDICAL REPORT**
  SECOM Ubiquitous EMR is a medical report system for home medical care that enables the sharing of data among members of the home care team, including the primary physician, visiting nurse and pharmacy.
- **HOSPINET**
  Hospinet, a remote image diagnosis support service, transmits magnetic resonance imaging (MRI), computerized tomography (CT) and other images over integrated services digital network (ISDN) circuits to SECOM's Hospinet center, where diagnostic experts examine them and provide consultation to the primary physician.
- **MY SPOON**
  My Spoon is a robot that enables people with impaired upper body mobility to eat with minimal assistance. This is the first robot of its kind in Japan.

Insurance Services

- **SECURITY DISCOUNT FIRE POLICY**
  Security Discount Fire Policy is a commercial fire insurance policy that features reduced premiums for subscribers to our commercial security systems.
- **SECOM *ANSHIN* MY HOME**
  SECOM *Anshin* My Home is a comprehensive fire insurance package that features reduced premiums for subscribers to our home security systems.
- **MEDCOM**
  MEDCOM is an unrestricted treatment policy that funds cutting-edge treatments for cancer that are not covered by Japan's national health insurance scheme.
- **SECOM *ANSHIN* MY CAR**
  SECOM *Anshin* My Car is a comprehensive automotive insurance policy that includes on-site emergency services in the event of an accident, as well as discounts for drivers without a traffic violation history or on cars equipped with antitheft devices.

Information and Communication Related and Other Services

- **SECOM SECURE DATA CENTER**
  SECOM Secure Data Center provides a comprehensive service for e-commerce that combines SECOM's expertise in both physical and cyber security.
- **DIGITAL AUTHENTICATION SERVICES**
  SECOM offers public key infrastructure (PKI) services that provide an effective means of establishing credibility among Internet users, including issuance of digital certificates and a set-up and operating service for organizations that wish to establish their own digital certificate authority.
- **NETWORK SECURITY MONITORING SERVICES**
  SECOM provides security and stability for clients' IT systems around-the-clock. SECOM monitors and reports on threats to security, and on network operating status and network traffic.
- **GEOGRAPHIC INFORMATION SYSTEM (GIS) SERVICES**
  SECOM provides a range of services based on aerial mapping and GIS technologies, including PasCAL, a comprehensive service for local governments, and Management Navigation Service, a corporate management support service.
- **COMPUTER EDUCATION SERVICES FOR SCHOOLS**
  SECOM promotes a better educational environment by providing a range of multimedia resources, including local area network (LAN) systems for classrooms, an educational groupware system and educational software.
- **REAL ESTATE DEVELOPMENT**
  SECOM offers safe and high-grade condominiums.
- **SECOM FINE FOODS**
  SECOM Fine Foods is a line of quality organic food products marketed through mail order catalogs and the Internet.
- **CABLE TELEVISION**
  SECOM provides cable television (CATV)-based broadband services.

BOARD OF DIRECTORS


Makoto Iida


Juichi Toda


Toshitaka Sugimachi


Shohei Kimura


Kanemasa Haraguchi


Nobuyuki Sasaki


Katsuhisa Kuwahara


Teruo Ogino


Seiichiro Kobayashi


Shigemi Tanaka


Shoichi Kake


Shuji Maeda


Katsuo Akiyama

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

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

Corporate Auditors:
Takeshi Motohashi
Hisaaki Tanabe
Ken Tsunematsu
Shunzo Tamai

(As of July 31, 2002)