

## TO OUR SHAREHOLDERS



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*