

## TO OUR SHAREHOLDERS

The Japanese economy has begun to show some encouraging signs of improvement, despite muted personal consumption, as exports and private-sector capital investment picked up. Against this backdrop, the SECOM Group is forging ahead with measures to take the Social System Industry to the next level.

In the year ended March 31, 2004, we concentrated on enhancing existing services while developing and offering new services and products to satisfy emerging needs. We also strove to capitalize on Group synergies to create innovative service packages. These efforts resulted in a 3.3% increase in consolidated revenue and other income, to ¥537.9 billion. Net income amounted to ¥23.5 billion, owing to such factors as an impairment loss on property, plant and equipment and a revision of our pension plans. Net income per share was ¥104.32.

Calculated using Japanese GAAP, SECOM recorded consolidated revenue of ¥527.4 billion, an increase of 0.8%; operating profit and ordinary profit of ¥81.3 billion and ¥76.2 billion—both record highs; and net income of ¥41.1 billion, an increase of 15.5%. Net income per share was ¥181.40. Cash dividends per share of ¥45.00, an increase of ¥5.00, were proposed and approved at the general shareholders' meeting on June 29, 2004.

### **Taking the Social System Industry to the Next Level**

The vision of the SECOM Group is to help build a society that is free from concerns about safety and security, through the establishment of the Social System Industry. The foundation of the Social System Industry is the network we have created to deliver our security services. To



**Makoto Iida**  
Founder

this network we are adding layers of services and systems that make life more secure, convenient and comfortable. Rather than providing services individually, we offer them in comprehensive packages that increase security and convenience. We are committed to ensuring SECOM is a company to which people can turn with confidence to meet a wide range of needs.

To this end, we are communicating with customers to learn what would help them in their daily lives, and using their perspectives to develop creative new offerings.

As society's needs diversify, we have responded by expanding from security services, our starting point, to encompass medical, insurance, information, GIS and education services. Now we are devoting our full energies into tapping the synergies of the emerging Social System Industry to achieve further growth. New products and services must be competitive and unique, and must complement the Group's existing offerings to contribute to the provision of peace of mind to customers.

### **Service Differentiation and Packaging**

During the period under review, we continued to use our accumulated expertise and leading-edge technologies in the security services segment to offer distinctive product and service packages. We provided security services for commercial establishments by stepping up efforts to market centralized systems SECOM AX and SECOM IX, which employ advanced image monitoring; SECOM DX, a centralized system that features monitoring functions; and the fully digital D-CCTV surveillance camera system.

In the home security area, we made real progress toward evolving SECOM Home Security into a

comprehensive residential system that provides peace of mind. We augmented our home security lineup by releasing such physical safeguards as SECOM *Anshin* Glass, a high-impact window glass with built-in sensors, and the SECURIFACE intercom system, which employs face detection technologies to alert occupants to unauthorized visitors. We also launched Tomahawk Jet Alpha, an automated fire extinguishing system for home kitchens; SECOM Medical Club, a membership-based service for home security subscribers that offers access to the latest preventive treatments and health care-related services; and SECOM *Anshin* My Home, a comprehensive fire insurance policy that offers a discount for home security subscribers.

We began selling SECOM MS-3, a security system for condominiums that can be used for buildings of various types and sizes as a retrofit or a new installation. In addition, we added a safety-confirmation function to COCO-SECOM with Emergency Call, which helped to expand our menu of COCO-SECOM mobile security services.

In our medical services segment, we focused on making our core home medical care services more efficient, launched SECOM Medical Club as noted above, and in May 2004 began offering adult day services for senior citizens. We continued to expand sales of the SECOM Ubiquitous Electronic Medical Report (EMR) system for medical institutions. This system combines our medical, information security and IT expertise to secure and efficiently manage large volumes of medical report data.



**Toshitaka Sugimachi**  
Chairman



**Shohei Kimura**  
President and  
Representative Director

Medical institutions are also the target market for a medical personnel solutions service, as well as Medical Risk Management System, a new system that helps analyze risks associated with providing medical care.

Insurance is another area in which we are capitalizing on synergies between multiple fields to offer precedent-setting products. Our insurance services lineup includes New SECOM *Anshin* My Car, a comprehensive automobile insurance policy; Security Discount Fire Policy for commercial users of security systems; SECOM *Anshin* My Home for residential security system subscribers; and MEDCOM, an unrestricted cancer treatment policy.

Our information and communication related and other services segment includes cyber security and other information-related services, GIS services, education services, real estate sales and real estate leasing. To enhance our information product lineup, we launched sales of a noncontact integrated circuit (IC) card-based security system that combines

office access control with cyber security using the same card. We also augmented our Secure Data Center, which offers high-level security for both the physical and cyber realms, by launching a new service that prevents customer information and insider information leaks. In the area of GIS services, we promoted sales of packaged systems to the private sector. We also used the concept of packaging products and services together in our real estate sales, offering attractive condominiums that include security systems, management services and telephone-based home-related consulting services.

### **A New Executive System and Enhanced Compliance**

At its meeting on May 13, 2004, the Board of Directors of SECOM passed a resolution to adopt an executive officer system, a move that will clarify administrative responsibilities and authority, thereby strengthening the Company's management structure and ultimately improving customer services. In addition, we established a Compliance Division to oversee compliance issues throughout the SECOM Group. We also produced and distributed the SECOM Group Compliance Manual, which sets out internal guidelines for employee conduct, and set up a hotline to handle queries and provide information and advice on related issues.

### **Security and Peace of Mind Professionals**

The SECOM Group has entered various business areas—including security, medical, insurance, information, GIS and education services—in pursuit of its vision of contributing to a society in which all people can live safely and with peace of mind. The principal factor binding these disparate disciplines is the unwavering SECOM

philosophy. We firmly believe in breaking through stereotypes, shedding old practices and continually nurturing radical new business ideas, while also asking, "Is this good for society?" This philosophy and these high standards of conduct, universal among our personnel, have made it possible for SECOM to create the services and systems that solve problems in society that were previously considered intractable.

As security and peace of mind professionals, the future is bright for the SECOM Group. We will continue to grow our various business segments by seeking new synergies among them and developing integrated packages that inspire customers to turn to us for solutions to a wide range of problems.

Our pledge is to accurately grasp the diverse needs of society, swiftly roll out services that satisfy those needs, and in doing so, continue to create value for our shareholders. We ask for your continued understanding and support as we transform our vision into reality.

July 31, 2004



**Makoto Iida**  
Founder



**Toshitaka Sugimachi**  
Chairman



**Shohei Kimura**  
President and Representative Director