

At the Threshold: The “Social System Industry”

In the decade following its announcement of the “Social System Industry” concept in January 1989, the SECOM Group has used its security network to launch successive new services and systems as part of the social infrastructure for this new industry. We have expanded from security services to include medical, educational, information, non-life insurance and real estate development services providing vital assistance to people and companies in their everyday activities. Moreover, we have established the capability to offer these services as integrated packages, not merely isolated services.

We have used the past decade to prepare the groundwork. Our next challenge is to pick up the pace to complete the establishment of our “Social System Industry.”

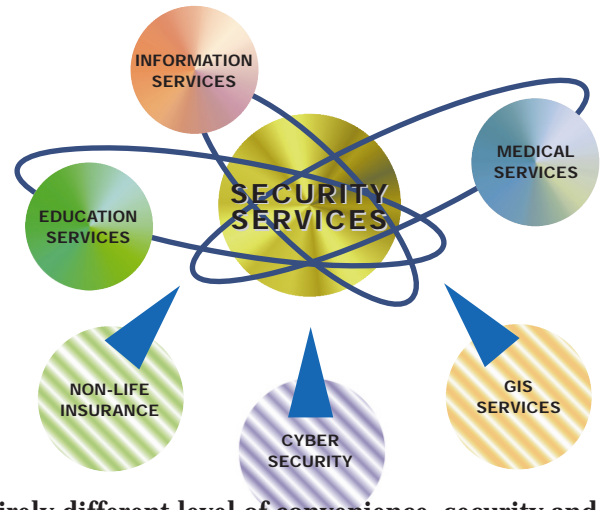
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The SECOM Group offers more than 100 different types of services worldwide. Each service must satisfy strict conditions—i.e., be judged innovative, valuable to society and a service that SECOM can provide better than any other company—before it is added to our

lineup. These services are used in homes, offices, commercial buildings, banks, schools, hospitals, supermarkets, department stores, temples, museums, factories, amusement parks, airports and hundreds of other settings throughout society.



Although we began by offering security services exclusively, we now offer a myriad of services in the medical, educational, information, non-life insurance and real estate development fields. For the workplace, we provide on-line centralized security systems, static guard services, armored car services, access-control systems, fire extinguishing systems, monitoring systems, intranet integration services, network security and groupware for schools, to list but a few.

For the home, we offer SECOM HOME SECURITY PLUS, an emergency information system for elderly persons, fire extinguishers, fireproof safes, in-home medical treatment, home-visit nursing services, self-administered health management systems, artificial voice boxes, traditional Chinese medicine prescription services, health foods, mineral water filtration systems, on-line educational services, cable TV broadcasting, automobile insurance and many other services.

Although these services and systems are valuable to individuals or society as stand-alone items, when they are presented in integrated packages they represent an

entirely different level of convenience, security and cost-effectiveness. This is the aim of the “Social System Industry.” The introduction in June 1998 of SECOM HOME SECURITY PLUS was a giant step toward our goal of integrating a large number of services in a single, easily operated system. By creating new services and systems that satisfy peoples’ needs and integrating them with our existing services, we are coming closer to establishing the “Social System Industry,” an achievement that will enable us to contribute significantly to a higher quality of life into the 21st century.





New Synergies with Three Businesses

The SECOM Group is steadily expanding the suite of services and systems that will form the “Social System Industry.” We recently launched cyber security services as an extension of our core security services and acquired a non-life insurance company and a GIS-related systems and services provider, which will enjoy significant synergies with our existing portfolio of services.

Cyber Security Services

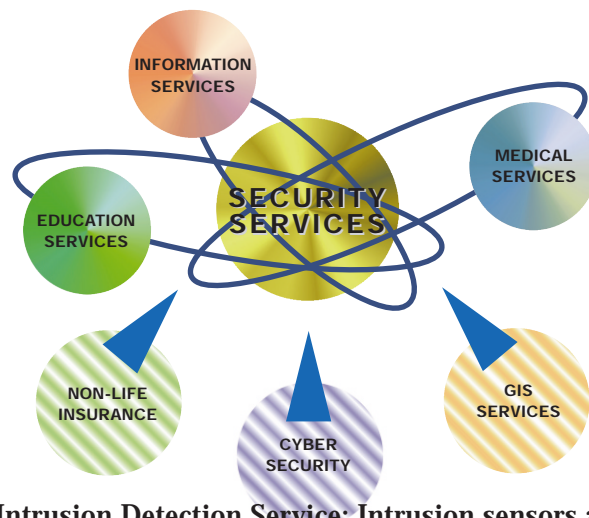
As demonstrated by the explosive growth of the Internet in Japan, this island nation is rapidly adapting to the information age. Today, telecommunications-based information networks are indispensable to corporate activities and home life. Many companies use complex computer networks to manage critical information assets, including confidential customer and product development information. However, inadequate network security means that such assets may be highly vulnerable to theft, tampering and damage.

As the undisputed leader in the security field, SECOM is particularly well positioned to respond to the growing need for effective cyber security. To facilitate our expansion into this promising field, we marketed the IntraVerse line of security software for e-commerce and corporate intranets. We also set up Entrust Japan, to serve as the exclusive distributor in Japan of the products of Entrust Technologies, a leading digital certificate developer with operations throughout North America. In addition, we formed an alliance with Trend Micro Co.,



Ltd., to offer 24-hour virus monitoring services, and created the Cyber Security Division within the parent company to begin offering the following four services:

- **Security Consulting Service:** This service analyzes and tests to find security holes in firewalls and other weaknesses in corporate networks, and formulates tailored security policies and procedures for customers.
- **Virus Monitoring Service:** The Cyber Security Service Center monitors customer systems for viruses 24 hours a day, 365 days a year, and takes appropriate measures to safeguard customer data. This service is offered as part of a package that also includes insurance against damage caused by viruses.



- **Intrusion Detection Service:** Intrusion sensors are installed in corporate networks or servers to detect unauthorized access and take appropriate measures.
- **Certificate Authorization:** Verification of personal identity through a digital I.D. is indispensable to e-commerce or information exchanges over the Internet.

We are confident that these new services, coupled with our existing security services, will be the vehicle required to pave the way to future growth in the security business.

Non-Life Insurance Services

In September 1998, we entered the non-life insurance field by taking an equity stake in Toyo Fire and Marine Insurance. The firm's name was subsequently changed to Secom Toyo General Insurance and additional shares were purchased in March 1999 to make SECOM the majority shareholder of this subsidiary.

Our purpose in entering the non-life insurance business is not to sell the conventional types of products currently offered by other insurers, but to integrate



insurance products with the services we offer as part of the “Social System Industry.” In other words, we view this as an opportunity to offer comprehensive security services that encompass everything from the prevention of crime and fire to insurance against damage and loss.

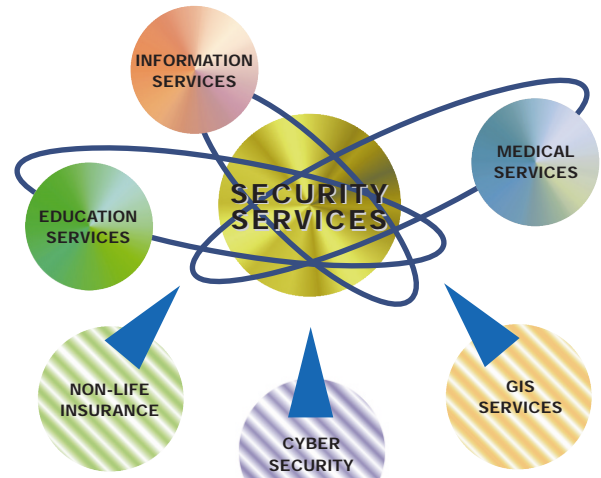
In December 1998, we launched sales of a new product, Cost-Reduced Automobile Insurance. This product incorporates an on-site emergency-response feature. When an accident occurs, the policyholder can opt to have SECOM emergency-response staff dispatched to the scene at any time of the day or night from the closest of our emergency service depots around the country.

Cost-Reduced Automobile Insurance is also sold directly to the public, enabling us to offer it at a price that is roughly 20% below conventional car insurance. Cost savings are reflected in reduced premiums for all age groups and categories.

By combining elements of insurance with the services being developed by other members of the SECOM Group, Secom Toyo General Insurance will seek to meet society's needs with innovative products that set new standards.

GIS Services

SECOM has taken a majority stake in Pasco, Japan's leading provider of survey and GIS services, bringing it into the SECOM Group in August 1999. Our main purpose in taking a stake in this company, which is listed on the First Section of the Tokyo Stock Exchange, is to realize synergies between its GIS component and our other “Social System Industry” services. Pasco anticipated the development of the information society well in advance and was quick to establish its GIS services on a commercial basis, making it an attractive acquisition.



GIS services involve the superimposition of data onto topographic images to provide high-quality visual aids. The same data can be used effectively in a variety of applications on personal computers (PCs). Information, such as land usage, population, land prices and road networks, can be superimposed upon the base map and then displayed, searched and analyzed. The output can be presented as maps to assist governmental authorities or private sector companies as planning tools.

Pasco uses its GIS capabilities and the high-quality maps generated by its aerial surveying division to engage in three main business segments primarily aimed at public-sector clients. The first generates land survey charts for use in city planning and public facility construction. The second is a construction consulting service used in emergency preparedness planning, environmental and disaster response inspections, city planning, as well as in civil engineering designs for roads, parks, waterworks, sanitation systems and flood control. The third develops and markets GIS based on the know-how generated through the other two business segments.

Pasco has offices in nearly every prefecture and its extensive technological capabilities allow it to provide services carefully tailored to local needs. Although its current focus is primarily on the public sector market, Pasco plans to expand its services for the private sector. We thus plan to promote GIS-based information services as new components of our “Social System Industry.”

