

## Operating Results

The Japanese economy remained sluggish during the period, with few signs that a recovery was in sight. Instability in the financial system and unclear economic prospects continued to weaken corporate profitability, slow capital investment and hinder consumer spending, while stagnant corporate results caused the employment situation to deteriorate further and lowered individual earnings.

Against this subdued economic backdrop, we continued our advance on several business fronts, focusing on expanding further our “Social System Industry,” a network of integrated systems and services centered on the fields of security, education, communication, information and medical care, targeted at the needs of people and businesses. We actively expanded operations by strengthening marketing, improving service quality and developing new systems and products that respond to the needs of society and brought us closer to realizing the “Social System Industry.” As a consequence, our operating results for the period were largely in line with expectations. Consolidated revenue amounted to ¥394.1

billion, up 22.1% from the previous year. By business category, revenue from services totaled ¥266.3 billion, while merchandise, software and medical activities generated revenue of ¥85.6 billion. We recorded a gain on sales of investment in securities of ¥35.7 billion, while interest and other totaled ¥6.5 billion. Net income soared 162.9%, to ¥49.9 billion, owing partly to extraordinary gains on the sale of a subsidiary. Accordingly, net income per share rose to ¥429.03, from ¥163.40 in the previous period.

Recognizing the importance of shareholder support, cash dividends of ¥70.00 per share were approved at the annual general shareholders’ meeting in June 1999, up from ¥65.00 for the previous period.

## A Look at the Year

During the period under review, we continued to take steps aimed at ensuring the realization of our “Social System Industry” vision in the 21st century. The phrase “Social System Industry” describes a system combining a wide range of services designed to ensure safety, convenience and comfort that are provided through our information network—a network cultivated through the provision of security services to date. In particular, we continue to focus on security services, medical, education, information, non-life insurance services and real estate development, thereby reinforcing our reputation for providing reliable and convenient services when and where they are needed.

In the security service field, we introduced SECOM HOME SECURITY PLUS, a ground-breaking home security system that offers integrated security and



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information services. Incorporating an easy-to-use liquid crystal display (LCD) touch panel with a voice navigation system, this system features not only home security, but also an extensive range of other services, such as lifestyle information, home shopping services, home banking and medical assistance.

Other new products in the security services field include SECOM AX, an innovative security system for businesses that features an image sensor incorporating the latest image processing technology, enabling it to detect unauthorized entry. We also introduced SESAMO-IDs, an upgraded version of our fingerprint-based individual identification system that is easier to operate and produced at a considerably lower cost than its predecessor; TOMAHAWK MACH I, specifically designed to meet the needs of customers for compact and affordable fire extinguishers; and TOMAHAWK MACH II, a unit for home use.

In the medical services field, Secom Home Medical System Co., Ltd., launched an in-home medical treatment support service called Medidata, which aims to assist patients during their convalescence by connecting them on-line with their physicians, and an artificial voice box activated by electronic impulse. Subsidiary Secom Kampo System Co., Ltd., began mail-order sales of health food products.

In the area of home education services, subsidiary Secom Lines Co., Ltd., a leader in the computer-aided learning field, launched Lines Sensei Denjyuku, a highly effective Internet and compact disc read-only memory (CD-ROM)-based educational system, and the School Internet Series of materials designed to assist schools to maximize the benefits of Internet access.

In the information and communications sector, SECOM established Entrust Japan Co., Ltd., which is the sole distributor for Public Key Infrastructure (PKI) digital identification certification technologies, developed by U.S.-based Entrust Technologies in conjunction with 15 Japanese companies.

SECOM also entered the non-life insurance business during the period by making an equity investment in Toyo Fire and Marine Insurance Co., Ltd., which subsequently changed its name to Secom Toyo General Insurance Co., Ltd. The combination of non-life insurance services with SECOM's existing business lines will enable the Company to provide a complete range of services for assurance against the risk of property loss or bodily injury due to crime or accident.

## New Initiatives

Recent months have seen us expand operations in several promising new areas. To facilitate the launch of cyber security operations, we established the Cyber Security Division and in April 1999 launched computer virus detection, security assessment and cyber crime prevention



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services. In August 1999, SECOM became the majority shareholder in Pasco Corporation, a leading survey company, by acquiring shares through a third-party allotment. We anticipate significant synergies between Pasco's operations, notably its Geographic Information System (GIS) services, and our services.

In the firm belief that responding to the rapidly evolving needs of society today demands fundamental adjustments in our organization and in the mindset of our employees, we sought to encourage greater flexibility by emphasizing change and accelerated responsiveness.

We continue to respond to the diverse needs of customers for security services, medical, education, information services, non-life insurance and real estate development operations by anticipating these needs and offering attractive products and services. We are promoting intensive research and development to facilitate the extension of high-quality security systems, equipment and services. We recognize considerable untapped demand in our core existing businesses, and will thus focus on enhancing capabilities and improving efficiency in these areas. At the same time, we will further expand

our operations by entering promising new businesses. In these and other endeavors, we look forward to the continued support of our shareholders.

August 31, 1999



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Founder



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President and Representative Director

