

Consolidated financial report - Six-month period ended September 30, 2000

November 16, 2000

Company name: Secom Co., Ltd.
 Code number: 9735 Tokyo Stock Exchange ----- First Section
 Osaka Stock Exchange ----- First Section
 Corporate headquarters: 26-2, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo
 For inquiries: Katsuhisa Kuwahara Executive Director Phone (03)3348-7511
 Date approved by Board of Directors: November 16, 2000

1. Summary of the consolidated financial statements for the six-month period ended September 30, 2000 (April 1, 2000 - September 30, 2000)

(1) Operating results

(Figures rounded down to the nearest million)

	For the six-month period ended September 30		For the fiscal year ended March 31, 2000
	1999	2000	
Revenue	-	¥217,743 million	¥410,492 million
Operating Income	-	¥31,673 million	¥61,515 million
Ordinary Income	-	¥32,926 million	¥68,997 million
Net Income	-	¥16,824 million	¥42,817 million
Earnings per share	-	¥72.18	¥183.86
Diluted Earnings Per Share	-	¥72.13	¥183.58

Note 1. Equity in net gains of affiliated companies:

For the six-month period ended September 30, 2000: ¥701 million
 For the six-month period ended September 30, 1999: -
 For the year ended March 31, 2000: ¥1,130 million

Note 2. Loss on revaluation of derivatives:

As at September 30, 2000: ¥119 million

Note 3. Change in accounting policy: None

Note 4. Since the consolidated financial statements for the six-month period ended September 30, 1999 is not disclosed, figures for the six-month period ended September 30, 1999 and percent change from the previous year are not stated above.

Note 5. Figures, earnings per share for the fiscal year ended March 31, 2000, are calculated upon the number of shares after the stock split at the beginning of the period, due to the stock split at November 19, 1999.

(2) Financial conditions

(Figures rounded down to the nearest million)

	September 30, 1999	September 30, 2000	March 31, 2000
Total assets	-	¥773,407 million	¥764,491 million
Shareholders' equity	-	¥372,063 million	¥372,773 million
Shareholders' equity/ Total assets	-	48.1%	48.8%
Shareholders' equity per share	-	¥1,596.32	¥1,599.40

(3) Cash flow activities

(Figures rounded down to the nearest million)

	For the six-month period ended September 30		For the fiscal year ended March 31, 2000
	1999	2000	
Cash flows from operating activities	-	¥70,376 million	¥68,862 million
Cash flows from investing activities	-	¥(52,389) million	¥(82,980) million
Cash flows from financing activities	-	¥(16,752) million	¥14,693 million
Cash and cash equivalents at end of year	-	¥132,555 million	¥131,329 million

(4) Consolidated subsidiaries and affiliated companies:

	Additions	Deletions	As at September 30, 2000
Number of consolidated subsidiaries	1	3	98
Number of affiliated companies	2	0	41

2. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2001

(April 1, 2000 - March 31, 2001).

	For the fiscal year ending March 31, 2001
Revenue	¥461,679 million
Ordinary Income	¥69,717 million
Net Income	¥36,348 million

Reference: Expected earnings per share ¥155.96

The SECOM Group

The SECOM Group (the “Group”) comprises SECOM Co., Ltd. (the “Company”), 98 subsidiaries and 41 affiliates. The Group continues to advance on several business fronts: security services; medical services, including home-based medical services and remote image diagnosis support; insurance services centered on non-life insurance services; and information and communication related and other services, including cyber security, network services, software development and geographic information system (GIS) services.

The Group companies are classified into the following operating segments.

● **Security services segment**

Various types of security services, including the Company’s main service, on-line centralized security systems, are provided domestically by the Company, subsidiaries and affiliates. Domestic subsidiaries include Secom Joshinetsu Co., Ltd., Secom Hokuriku Co., Ltd., Secom Yamanashi Co., Ltd., Secom Mie Co., Ltd., Secom Jastic Co., Ltd., and 20 other companies. Domestic affiliates include Japan Nuclear Security System Co., Ltd., and six other companies. The Company offers subsidiaries and affiliates technical consultation and sells security merchandise to them.

Furthermore, on-line centralized security systems and static guard services are provided in overseas countries. Westec Interactive Security, Inc., and four other subsidiaries operate in the United States; Secom Plc, and two other subsidiaries in the United Kingdom; and Shanghai Secom Security Co., Ltd., and five other subsidiaries in the People’s Republic of China. Subsidiaries also operate in Indonesia, Australia and Thailand. S1 Corporation in South Korea, Taiwan Secom Co., Ltd., and three other overseas affiliates operate in their respective countries.

The following three subsidiaries and affiliates, as well as ten other companies, support the security services of the Group’s domestic companies.

- Secom Techno Service Co., Ltd., installs and maintains security equipment the Group uses to provide its services.
- Secom Industries Co., Ltd., develops and manufactures security equipment for the Group.
- Secom Equipment Sales Corporation sells a variety of security equipment. The Company purchases some security equipment from this subsidiary.
- An affiliate, Nohmi Bosai Ltd., manufactures and sells a range of fire protection equipment, some of which is purchased by the Company.

- **Medical services segment**

The Company offers remote image diagnosis support services. A domestic subsidiary, Secom Home Medical System Co., Ltd., provides home-based medical services, and Secom Kampo System Co., Ltd., prepares and sells traditional Chinese medicines and health food products.

- **Insurance services segment**

The domestic subsidiary, Secom General Insurance Co., Ltd. (formerly Secom Toyo General Insurance Co., Ltd.), provides non-life insurance services. Another domestic subsidiary, Secom Insurance Service Co., Ltd., is an insurance agency.

An overseas subsidiary, SIS Insurance Pte Ltd., is a re-insurance agency.

- **Information and communication related and other services segment**

The domestic subsidiary, Secom Trust.net Co., Ltd. (formerly Secomnet Co., Ltd.), provides networks, databases and cyber security services and sells computer systems.

Secom Information System Co., Ltd., manages computer systems for the Group, develops and sells computer software, and sells computer hardware.

Pasco Corporation provides surveying services via aerial photographs, and develops and sells GIS services.

Secom Lines Co., Ltd., sells education systems, including computer-aided learning systems for schools, and consigns part of the sales to the Company.

Secom Home Life Co., Ltd. (formed following a merger between Eclairer Co., Ltd., and Secom Asahi Co., Ltd., on June 1, 2000), develops and sells condominiums, mainly packaged with home security systems.

Domestic affiliates, Miyagi Network Inc., in the Sendai area, and Musashino-Mitaka Cable Television Inc., in the Musashino and Mitaka area, provide cable television and communication services in the respective areas; and Japan Image Communications Co., Ltd., a domestic affiliate, provides program content for satellite broadcasting.

Overseas subsidiary P.T. Nusantara Systems International develops and sells computer software.

Management Policy

1. Basic management policy

SECOM's aim is to realize its vision of establishing the Social System Industry, which will offer a multitude of integrated services and systems that make life more secure, convenient and pleasant, thereby helping to create a new social infrastructure.

2. Basic profit distribution policy

SECOM recognizes returning profits to shareholders as its most critical matter and distributes profits taking into account expansion of services, revenue trends, dividend payout and the amount of retained earnings. We utilize retained earnings both for investments in promising new businesses to further expand our operations, and for intensive research and development to facilitate the extension of high-quality security systems, equipment and services.

In August 1, 2000, SECOM reduced its minimum trading unit to 500 shares, from 1,000 shares.

3. Management strategy procedures

In this rapidly changing society, social concern over security is becoming increasingly diversified and developed as people's values change and diversify. Demands on Health, Medical Care, Insurance, Cyber Security and GIS are also heightening and varied in the same way.

Under these circumstances, we aim to meet these diverse needs of society in a speedy and flexible manner by offering attractive services and products, as SECOM's vision to build and expand the Social System Industry.

To realize this vision, SECOM will actively develop services and products for the 21st century. We will promote intensive R&D to facilitate the expansion of high-quality security systems, equipment and services. We recognize the considerable untapped demand in our existing core businesses, and will focus on enhancing capabilities and improving efficiency in these areas. At the same time, we will further expand our operations by investing in promising new ventures. We will also expand innovative operations by reforming our processes and organization, and building an efficient, high-quality management system and infrastructure. To ensure rapid adjustment to the changing environment, SECOM will regard speed as a crucial management factor.

Operating results

1. Results and review

During the period under review, the Japanese economy showed signs of recovery, due to improving corporate profitability guided by a series of government fiscal policies. Personal consumption was still sluggish, however, owing to corporate restructuring, reduced disposable income and increased unemployment.

Under these circumstances, we continued to advance toward our Social System Industry vision by accelerating research and development and developing new services and products as well as enhancing existing services, strengthening our marketing and improving operating efficiency.

In the security services field, we introduced several new services and products. We released the HANKS -J, a simplified Cash Dispenser and Automated Teller Machine (CD/ATM) booth that makes customers improve the operating efficiency of CD/ATMs and reduce costs; the HANKS , an online security service system designed to suit the various operating styles of small offices of financial institutions; the latest PYTHAGORAS Series, SECOM's original safes with excellent anti-theft and fire-resistant features, which have been updated to meet the revised Japanese Industrial Standard (JIS); the revised Sensor Light, which threatens intruders with its irradiation, with reduced costs and improved capability. We also made SECOM HOME SECURITY PLUS more convenient for users by adding e-mail and calendar functions, by increasing accessible contents, and by adding search function for the information.

In the information and communication related services field, to recognize cyber security services as one of our core businesses and to strengthen and extend these services, we concentrated them at Secom Trust.net. Secom Trust.net provided security monitoring services by network security specialists, such as SECOM Intrusion Detection Service and SECOM Virus Monitoring Service. We also offered SECOM Passport for Web, which issues digital certificates for Web sites. In addition, we introduced SECOM Passport for Members, which certifies the browsers and e-mail of individual members and organizations, and Certification Authority Outsourcing Service, which is conducted on behalf of customers at the SECOM Trust.net Certification Authority Center.

In the medical services field, we acquired 30% of the outstanding shares of Ryomei Royal

Life Co., Ltd., which managed Royal Life Tama, a high quality nursing home. Secom Home Medical System also established new five nursing stations, where service fees are covered by the Medical Care Insurance or Long-term Care Insurance.

In the insurance services field, we endeavored to sell Secom My Car Insurance, an automobile policy offered directly to the public; a discounted fire insurance policy for SECOM security systems subscribers; Anshin L Rich, a high-return casualty insurance policy; and New Double Insurance Support, a comprehensive insurance policy that pays back the principal in full upon maturity.

On another note, Pasco Corporation introduced Management Navigation Service that supports corporate decision making and operations by integrating a variety of critical corporate information and sophisticated digital maps. Resulting from a merger of two real estate developers, Eclairer and Secom Asahi, Secom Home Life now leads our real estate development arm.

As a result of these activities, revenue for the six-month fiscal period ended September 30, 2000, was ¥217,743 million, ordinary income was ¥32,926 million and net income was ¥16,824 million.

Revenue from security services totaled ¥153,672 million and operating income amounted to ¥39,927 million, reflecting continuous growth of our centralized security services.

Revenue from medical services, mainly home medical services, soared to ¥1,238 million, while operating loss was ¥509 million.

Revenue from insurance services totaled ¥20,492 million, due to substantial sales of insurance policies that were introduced the second half of the previous fiscal year, while operating loss was ¥804 million.

Revenue from information and communication related and other services amounted to ¥42,340 million, and operating income for this segment totaled ¥264 million.

We did not analyze our consolidated results for the six-month period ended September 30, 2000, in comparison with those of the same period for the previous year, because the period under review is the first time we have disclosed our consolidated results for a six-month

period.

2. Cash Flow

During the period under review, consolidated cash and cash equivalents amounted to ¥132,555 million, an increase of ¥1,225 million from the end of the previous fiscal year, as a consequence of our operating, investing, and financing activities. Operating activities generated ¥70,376 million, investing activities used ¥52,389 million, financing activities used ¥16,752 million, and effect of rate changes on cash and cash equivalents decreased ¥9 million.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥70,376 million, reflecting income before income taxes amounting to ¥30,580 million and an increase of ¥16,538 caused by a decrease in notes and accounts receivable.

(Cash flows from investing activities)

Net cash used in investing activities was ¥52,389 million, mainly because of payments for purchases of property, plant, and equipment amounting to ¥21,110 million and payments for long-term loans receivables totaling ¥21,633 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥16,752 million, mainly owing to a decrease of bank loans amounting to ¥9,708 million and dividends paid amounting to ¥9,322 million.

We did not analyze our consolidated cash flows for the six-month period ended September 30, 2000, in comparison with those of the same period for the previous year, because the period under review is the first time we have disclosed our consolidated cash flows for a six-month period.

3. Outlook

Although Japan's economy continues to be in a state of recovery, its future prospects are still unclear. Under these circumstances, SECOM will actively promote its business in order to build and expand its Social System Industry, by strengthening its business operations, improving quality of service, developing advanced systems and producing efficient management resources.

With a contribution of favorable progress in security services and also with a full consolidation of Pasco and Secom Asahi, which was merged with Eclairer on Jun. 1, 2000, we forecast this fiscal year's sales to be: revenue of ¥461,679 million, ordinary income of ¥69,717 million, and net income of ¥36,348 million.

Consolidated Balance Sheets

(in millions of yen)

	September 30, 2000	As a percent of Total Assets	March 31, 2000	As a percent of Total Assets
Assets:				
Current assets:	329,358	42.6%	418,870	54.8%
Cash on hand and in banks	149,615		156,888	
Call loan	21,111		11,000	
Notes and accounts receivable, trade	29,324		45,112	
Due from subscribers	11,475		11,713	
Marketable securities	30,616		98,479	
Inventories	48,424		52,400	
Deferred income taxes	6,916		5,541	
Other current assets	32,490		38,707	
Allowance for doubtful accounts	(614)		(973)	
Fixed assets:	443,603	57.3%	325,541	42.5%
Tangible assets:	169,870	22.0%	166,085	21.7%
Buildings and improvements	32,644		33,180	
Signal equipment on subscribers' premises	55,361		51,912	
Control station signal equipment	16,656		16,608	
Land	45,304		45,318	
Other tangible assets	19,903		19,065	
Intangible assets	26,418	3.3%	23,193	3.0%
Investments and others:	247,314	32.0%	136,262	17.8%
Investment securities	162,010		70,170	
Long-term loans receivable	57,778		34,020	
Deferred income taxes	10,247		12,736	
Other investments	23,842		24,972	
Allowance for doubtful accounts	(6,563)		(5,637)	
Deferred assets:	445	0.1%	1,294	0.2%
Foreign currency transaction adjustments:	-		18,784	2.5%
Total assets	773,407	100.0%	764,491	100.0%
Liabilities:				
Current liabilities:	191,932	24.8%	214,261	28.0%
Notes and accounts payable, trade	11,824		16,342	
Bank loans	69,852		77,896	
Payables-other	22,996		35,803	
Income taxes payable	17,837		13,647	
Consumption taxes payable	2,519		2,939	
Accrued expenses	10,220		9,899	
Deferred revenue - service charges	27,004		26,087	
Other current liabilities	29,678		31,646	
Fixed liabilities:	182,099	23.6%	150,014	19.6%
Straight bonds	10,000		10,000	
Convertible bonds	567		578	
Long-term loans	6,082		4,934	
Guarantee deposits received from subscribers	17,508		17,086	
Accrued severance indemnities	-		2,651	
Accrued pension and severance costs	5,858		-	
Unearned premiums and other insurance liabilities	138,060		112,831	
Deferred income taxes	2,167		-	
Other fixed liabilities	1,856		1,932	
Total liabilities	374,032	48.4%	364,275	47.6%
Minority interest in consolidated subsidiaries:	27,311	3.5%	27,442	3.6%
Shareholders' equity:				
Common stock	66,102	8.5%	66,096	8.6%
Additional paid-in capital	82,278	10.6%	82,272	10.8%
Retained earnings	231,693	30.0%	224,446	29.4%
Net unrealized gain in debt and equity securities	8,968	1.2%	-	-
Foreign currency translation adjustments	(16,941)	-2.2%	-	-
	372,099	48.1%	372,816	48.8%
Common stock in treasury, at cost	(36)	0.0%	(42)	0.0%
Total shareholders' equity	372,063	48.1%	372,773	48.8%
Total liabilities, minority interest in consolidated subsidiaries and shareholders' equity	773,407	100.0%	764,491	100.0%

Consolidated Statements of Income

(in millions of yen)

	For the six-month period ended September 30, 2000		For the fiscal year ended March 31, 2000	
		As a percent of Revenue		As a percent of Revenue
Revenue:	217,743	100.0%	410,492	100.0%
Costs of revenue	131,869	60.6%	245,317	59.8%
Gross Profit	85,874	39.4%	165,174	40.2%
Selling, general and administrative expenses	54,201	24.9%	103,658	25.2%
Operating income	31,673	14.5%	61,515	15.0%
Non-operating income:	5,679	2.6%	15,894	3.9%
Non-operating expenses:	4,426	2.0%	8,411	2.1%
Ordinary income	32,926	15.1%	68,997	16.8%
Extraordinary income:	22,585	10.4%	6,739	1.6%
Extraordinary losses:	24,931	11.4%	4,170	1.0%
Income before income taxes	30,580	14.1%	71,566	17.4%
Income taxes - current	16,537	7.6%	27,395	6.7%
Income taxes - deferred	(2,935)	-1.3%	(1,757)	-0.4%
Minority interest in consolidated subsidiaries	155	0.1%	3,111	0.7%
Net income	16,824	7.7%	42,817	10.4%
Retained earnings at beginning of the period	224,446		190,141	
Cash dividends	9,322		8,146	
Directors' bonuses	254		261	
Transfer to additional paid-in capital	-		104	
Retained earnings at end of the period	231,693		224,446	

Consolidated Statements of Cash Flows

(in millions of yen)

	For the six-month period ended September 30, 2000	For the fiscal year ended March 31, 2000
Cash flows from operating activities:		
Income before income taxes	30,580	71,566
Depreciation	17,054	35,150
Amortization of goodwill	1,297	1,803
Equity in net gains of affiliated companies	(701)	(1,130)
Increase (decrease) in allowance for doubtful accounts	148	(914)
Decrease in accrued severance indemnities	-	(233)
Increase in accrued pension and severance costs	3,206	-
Interest and dividend income	(3,386)	(5,557)
Interest expenses	539	1,057
Exchange losses (gains)	(47)	624
Net loss on sales and disposal of tangible assets	1,480	1,586
Gain on sales of investment securities	(188)	(1,029)
Loss on revaluation of investment securities	443	1,649
Gain on sales of investment in affiliates' securities	(534)	(4,424)
(Increase) decrease in notes and accounts receivable, trade, and due from subscribers	16,538	(18,320)
(Increase) decrease in inventories	3,985	(26,349)
Increase (decrease) in accounts payable	(18,558)	27,114
Increase in unearned premiums and other insurance liabilities	25,228	14,268
Other	3,850	(1,675)
Subtotal	80,937	95,185
Interest and dividend received	3,104	5,590
Interests paid	(577)	(1,073)
Income taxes paid	(13,088)	(30,841)
Net cash provided by operating activities	70,376	68,862
Cash flows from investing activities:		
(Increase) decrease in time deposits	(198)	1,618
Increase in marketable securities	(607)	(26,225)
Payments for purchases of tangible assets	(21,110)	(40,114)
Proceeds from sales of tangible assets	879	1,551
Payments for investments in securities	(5,681)	(1,737)
Proceeds from sales of investment in securities	511	2,331
Payments for investments in subsidiaries' securities	-	(679)
Proceeds from sales of investment in subsidiaries' securities	1,029	4,597
Increase in short-term loans receivable	(7,825)	(1,148)
Payments for long-term loans receivable	(21,633)	(24,825)
Proceeds from long-term loans receivable	4,591	14,552
Increase in other assets	(1,857)	(3,259)
Payments for acquisition of consolidated subsidiaries	(485)	(9,639)
Net cash used in investing activities	(52,389)	(82,980)
Cash flows from financing activities:		
Increase (decrease) in bank loans	(9,708)	17,160
Proceeds from long-term loans	4,736	2,614
Repayments of long-term loans	(1,943)	(2,064)
Proceeds from minority shareholders	-	5,442
Dividends paid	(9,322)	(8,146)
Dividends paid for minority shareholders	(520)	(389)
Decrease in treasury stock	6	76
Net cash provided by (used in) financing activities	(16,752)	14,693
Effect of exchange rate changes on cash and cash equivalents	(9)	(629)
Net increase (decrease) in cash and cash equivalents	1,225	(54)
Cash and cash equivalents at beginning of year	131,329	131,186
Net increase of cash and cash equivalents in transaction of consolidation	-	197
Cash and cash equivalents at end of year	132,555	131,329