

**CONSOLIDATED FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED MARCH 31, 2003**

May 12, 2003

Company name: Secom Co., Ltd.
 Code number: 9735 Tokyo Stock Exchange ----- First Section
 Osaka Stock Exchange ----- First Section
 Corporate headquarters: Tokyo, Japan
 For inquiries: Katsuhisa Kuwahara, Executive Director Phone (03) 5775-8100
 Date approved by Board of Directors: May 12, 2003
 Adoption for US GAAP: None

1. Summary of the consolidated financial statements for the fiscal year ended March 31, 2003 (April 1, 2002 – March 31, 2003)

(1) Consolidated operating results (Figures rounded down to the nearest million)

	Years ended March 31	
	2002	2003
Revenue	JPY 497,921 million	JPY 523,271 million
% change from the previous year	9.4%	5.1%
Operating income	JPY 43,022 million	JPY 72,902 million
% change from the previous year	(34.1)%	69.5%
Ordinary income	JPY 41,541 million	JPY 70,063 million
% change from the previous year	(37.3)%	68.7%
Net income	JPY 9,583 million	JPY 35,583 million
% change from the previous year	(73.0)%	271.3%
Basic net income per share	JPY 41.11	JPY 154.96
Diluted net income per share	JPY 41.09	JPY 154.95
Net income / Shareholders' equity	2.5%	9.3%
Ordinary income / Total assets	4.4%	6.5%
Ordinary income / Revenue	8.3%	13.4%

Note 1. Equity in net gains/losses of affiliated companies:

Year ended March 31, 2002: JPY 1,342 million

Year ended March 31, 2003: JPY 1,323 million

Note 2. Weighted average number of common shares outstanding:

Year ended March 31, 2002: 233,138,018 shares

Year ended March 31, 2003: 227,849,223 shares

Note 3. Change in accounting policy: Yes

Note 4. Percent numbers shown in revenue, operating income, ordinary income and net income represent the change from the results of the previous year.

Note 5. Assuming the same computational method used for the year ended March 31, 2003, basic net income per share for the year ended March 31, 2002, would have been JPY 40.00; diluted net income per share would have been JPY 39.99.

(2) Consolidated financial conditions (Figures rounded down to the nearest million)

	March 31, 2002	March 31, 2003
Total assets	JPY 1,071,190 million	JPY 1,090,131 million
Shareholders' equity	JPY 392,149 million	JPY 369,753 million
Shareholders' equity / Total assets	36.6%	33.9%
Shareholders' equity per share	JPY 1,681.23	JPY 1,641.53

Note 1. Number of common shares outstanding:

As of March 31, 2002: 233,252,257 shares

As of March 31, 2003: 225,080,888 shares

Note 2. Assuming the same computational method used for the year ended March 31, 2003, shareholders' equity per share for the year ended March 31, 2002, would have been JPY 1,680.12.

(3) Consolidated cash flows (Figures rounded down to the nearest million)

	Years ended March 31	
	2002	2003
Cash flows from operating activities	JPY 175,409 million	JPY 91,992 million
Cash flows from investing activities	JPY (118,053) million	JPY (87,682) million
Cash flows from financing activities	JPY 5,887 million	JPY (38,409) million
Cash and cash equivalents at end of the period	JPY 205,494 million	JPY 170,033 million

(4) Consolidated subsidiaries and affiliated companies

	Additions	Deletions	As of March 31, 2003
Number of consolidated subsidiaries	14	9	124
Number of affiliated companies	5	2	39

2. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2004 (April 1, 2003 – March 31, 2004) and the six-month period ending September 30, 2003 (April 1, 2003 – September 30, 2003)

	Six-month period ending September 30, 2003	Year ending March 31, 2004
Revenue	JPY 255,622 million	JPY 545,481 million
Ordinary income	JPY 35,627 million	JPY 80,611 million
Net income	JPY 17,806 million	JPY 40,536 million

Note: Expected basic net income per share (for the full year): JPY 178.87

*Forecast statements above include estimates based on current plans, assumptions and prospects and may differ from actual performance because of risks and uncertainties.

The SECOM Group

The SECOM Group (the “Group”) comprises SECOM Co., Ltd. (the “Company”), 124 subsidiaries and 39 affiliates. The Group continues to advance on several business fronts: security services; medical services, including home-based medical services and remote image diagnosis support services; insurance services centered on non-life insurance services; and information and communication related and other services, including cyber security services, network services, software development and geographic information system (GIS) services.

The Group companies are classified into the following operating segments:

● **Security services segment**

The Company and its subsidiaries and affiliates provide various types of security services domestically, including the Company’s main service - on-line centralized security systems.

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 sells security merchandise and provides technical consultation to the subsidiaries and affiliates.

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; Shanghai Secom Security Co., Ltd., and five other subsidiaries in the People’s Republic of China; and two subsidiaries in Indonesia. Subsidiaries also operate in Australia and Thailand. S1 Corporation operates in the Republic of Korea, Taiwan Secom Co., Ltd., operates in Taiwan, and three other overseas affiliates operate in their respective countries.

The following three subsidiaries and an affiliate, as well as 11 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 Alpha Co., Ltd. (formerly 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**

Domestic subsidiary Secom Medical System Co., Ltd., offers remote image diagnosis support services and home-based medical services. Mac Corporation sells medical equipment. Arai & Co., Ltd., provides real estate lease services for medical institutions.

● **Insurance services segment**

A domestic subsidiary, Secom General Insurance Co., Ltd., provides non-life insurance services. Another domestic subsidiary, Secom Insurance Service Co., Ltd., is an insurance agency.

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

A domestic subsidiary, Secom Trust.net Co., Ltd., provides network, database 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 geographic survey services via aerial photographs, and develops and sells GIS services.

Secom Lines Co., Ltd., sells education systems, including computer-aided learning systems for schools.

Secom Home Life Co., Ltd., develops and sells condominiums with home security systems.

Arai & Co., Ltd., provides real estate leasing services.

Our affiliate's subsidiary Japan Cablenet Limited provides cable television (CATV)-based broadband services. Domestic affiliate Miyagi Network, Inc., provides CATV and communications services in the Sendai area; Japan Image Communications Co., Ltd., also 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 comfortable, 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.

3. Management Strategy Procedures

In this rapidly changing society, social concern over security is becoming increasingly diversified and developed as people's values change. Demands on medical care, insurance, cyber security and GIS are also intensified and diversified 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 part of SECOM's vision to build and expand the Social System Industry.

In pursuit of its Social System Industry vision, SECOM will increase management efficiency and continue to enhance shareholder value in line with a rapidly changing social environment. We will actively develop services and products and promote intensive research and development to facilitate the expansion of progressive security systems, high-quality equipment and services. We will also expand innovative operations by reforming our processes and organization, building an efficient, high-quality management system and infrastructure, and investing in promising new ventures.

We will strive to provide even higher value-added services as new social infrastructure, by exploiting the synergy created by the inter-related, multiple businesses of our Group. 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.

4. Trading Unit of Common Stock

Our basic policy is that the trading unit of our common stock should be appropriately revised to make our shares more accessible to a broader range of investors and to heighten share liquidity. On November 19, 1999, we implemented a two-for-one stock split and on August 1, 2000, we reduced our minimum trading unit to 500 shares from 1,000 shares. In the future, we will appropriately revise our trading unit, taking into account market demands, share liquidity and the related costs of reducing the trading unit.

5. Management Index

To realize our Social System Industry vision in this rapidly changing and increasingly diversifying society, we need to make flexible and quick decisions, comprehensively considering various factors, including

opportunities and risks, rather than being concerned with conventional management indices.

6. Basic Approach toward Corporate Governance

1) Our stance toward corporate governance

We deem corporate governance as one of the most important managerial tasks that increases the corporate value and transparency of disclosure to shareholders. We believe that five aspects are vital in enhancing corporate governance: the initiative of top management, the Boards of Directors' control over management, the monitoring function of outside corporate auditors, the compliance system of the SECOM Group as a whole (group compliance) and information disclosure.

The initiative of top management includes: the Auditing Department's internal auditing, under the direct control of the President, of operations in the field to help improve and promote efficiency; and the Legal Department's plan-do-check-action (PDCA) efforts for compliance, also under the President's control, in conjunction with an in-house certified lawyer and outside legal experts.

The Board of Directors, along with outside corporate auditors, discuss issues in depth from a standpoint of compliance.

Among the outside corporate auditors, we have an experienced lawyer with a deep understanding of corporate governance and compliance. Auditors frequently visit each department of the Company and its subsidiaries to check the legality and appropriateness of their operations and report to the top management.

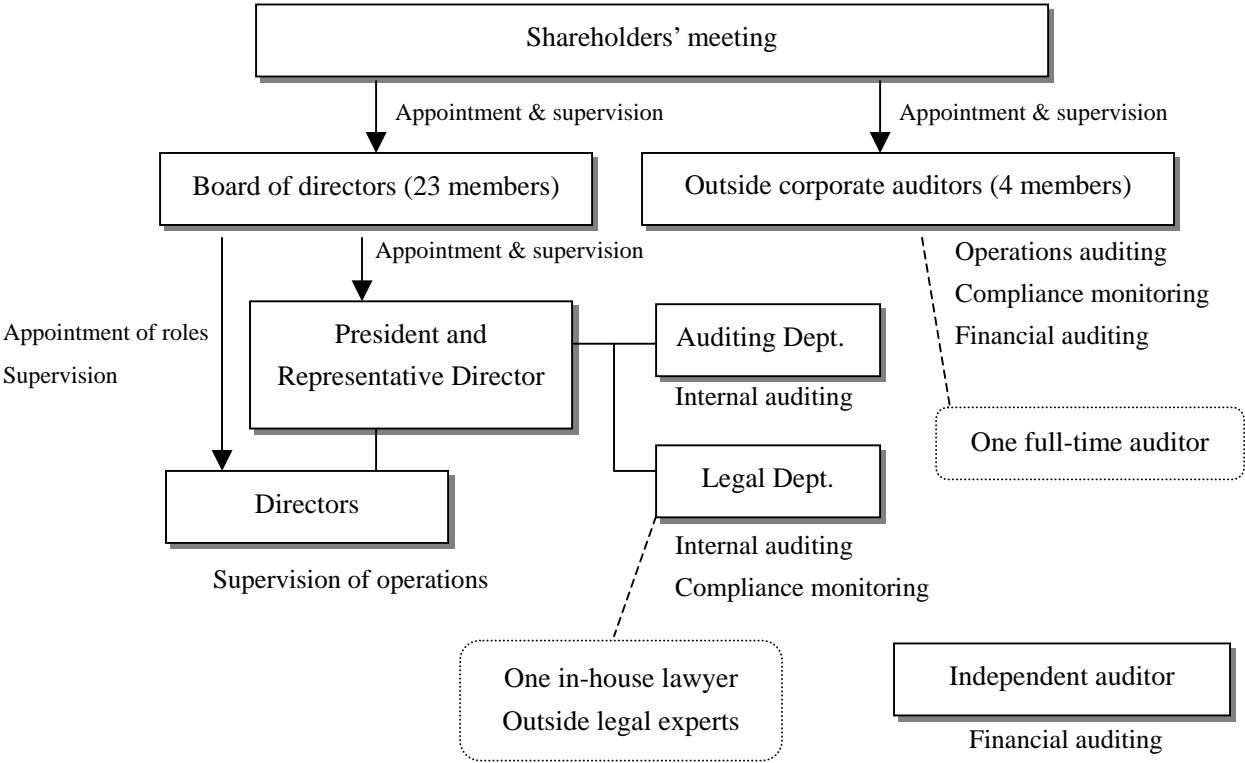
The system, function and importance of group compliance are codified in the operating directives of the Group (SECOM Group Constitution), which all the employees are trained to abide by. Now we are seeking to develop compliance measures that are easier to understand and easier to assess performance against.

We will continue efforts to disclose information further and faster, in order to enhance the transparency of the Group's management.

We are yet to determine, however, the extent to which outside directors are expected to exert influence over corporate governance.

2) Corporate governance system and related policies

Following is an organizational chart concerning decision making, execution, control and corporate governance:



- ** We have adopted a corporate auditor scheme.
- ** There are no outside (part-time) members on the Board of Directors.
- ** We set up several kinds of committees on an ad-hoc basis.

3) Interests between the Company and outside corporate auditors concerning personal and capital relationships and transactions

The outside corporate auditor mentioned in 6.1) above originally worked for a law firm to which the Company has been a client since its inception. He is seasoned in governance- and compliance-related issues and can exert a significant influence over our directors and senior managers.

The Company has set up a strict rule to avoid any conflict of interest with the outside auditor and his former law firm. There are no conflicts of interest with other outside auditors, either.

Operating Results

1. Results and Review

[Review]

During the fiscal year ended March 31, 2003, the Japanese economy remained sluggish, owing to the poor performance of the Japanese stock market, stagnant corporate capital investment, low personal consumption and instability around the globe. Despite these adverse conditions, SECOM continued to advance toward the realization of our Social System Industry vision. To this end, we enhanced existing services, strengthened our marketing capabilities, improved operating efficiency and developed new services and products to meet ever-changing social needs.

In the security services segment, we launched SECOM DX, an on-line centralized security system for commercial facilities such as stores, offices, warehouses and plants. This new system, featuring IC stick-type keys, prides itself on its enhanced level of security. We also launched the ATM Booth Security System, which provides protection against ATM burglaries that involve the destruction of ATM booths with construction machinery. In addition, we expanded the lineup of COCO-SECOM services designed to locate the position of people or automobiles on the move. The introduction of COCO-SECOM with Emergency Call Service, which allows the SECOM control center to immediately make a call to a designated number in the event of an emergency, is one such addition to the COCO-SECOM service lineup. In order to complement our Home Security System, we developed Polycarbonate Window and Extra Strengthened Door, which physically strengthen and protect the house itself, making it harder for intruders to enter. Another introduction was D-CCTV (Digital Closed Circuit Television), a full digital surveillance camera system that enables images to be monitored and recorded without deterioration.

In the medical services segment, we commercialized My Spoon, the first dining assistance robot launched in Japan that enables individuals with disabilities to eat with minimal movement of one part of the body. In addition, we expanded the area covered by our home-based medical and nursing services.

In the insurance services segment, we continued to market our unrestricted cancer treatment policy MEDCOM, automotive insurance policy Secom *Anshin My Car*, commercial fire insurance policy Security Discount Fire Policy and residential fire insurance package Secom *Anshin My Home*.

In the information and communication related and other services segment, we started to market SECOM Data Safe, a data repository that affords maximum protection against cyber attack. On July 4, 2002, SECOM Trust.net Co., Ltd., which focuses on cyber security services, acquired certification from the Japanese government for its digital authentication service, SECOM Passport for G-ID.

Lastly, upon enforcement of the Law of Defined Benefit Corporate Pensions, SECOM Employees' Pension Fund received authorization from the Minister of Health, Labour and Welfare, on April 23, 2002, to return a substitutional portion of employees' pension funds to the government, thereby freeing the Company from any future obligation concerning that portion.

As a result of these activities, revenue for the fiscal year ended March 31, 2003, amounted to JPY 523,271 million, an increase of 5.1% from the previous year. Ordinary income increased 68.7% to JPY 70,063 million, and net income rose 271.3%, to JPY 35,583 million.

Reflecting the continuous growth of our centralized security services, revenue from security services totaled JPY 351,997 million, an increase of 3.8%, while operating income increased 25.9%, to JPY 80,508 million, partially due to a decrease in pension and severance costs.

Revenue from medical services jumped 48.5% from the previous period, to JPY 19,980 million, reflecting the inclusion of a full year of revenue from the medical divisions of Arai & Co., Ltd., and Ryomei Royal Life Co., Ltd., which were both consolidated at the end of the previous fiscal year. Operating income amounted to JPY 1,213 million, compared with an operating loss of JPY 848 million in the previous period.

Revenue from insurance services amounted to JPY 38,149 million, a drop of 5.8%, owing primarily to a decrease in revenue from Secom General Insurance Co., Ltd. Operating income was JPY 1,829 million, compared with an operating loss of JPY 6,871 million in the previous period. This contrast in operating income is partially due to an increase in allowance for doubtful accounts recorded in the previous fiscal year.

Revenue from information and communication related and other services amounted to JPY 113,143 million, up 7.9%, while operating income for this segment totaled JPY 4,244 million, up 162.3%. This upturn is mainly attributable to an increase in revenue from Secom Home Life Co., Ltd., and the inclusion of a full year of results from the real estate division of Arai & Co., Ltd.

By geographic segment, meanwhile, domestic revenue for the period was JPY 512,150 million, an increase of 4.9%, while domestic operating income was JPY 88,475 million, up 51.4%. Revenue in other countries totaled JPY 11,120 million, an increase of 14.4%, and operating loss was JPY 639 million, a JPY 250 million improvement on the JPY 889 million loss in the previous period.

[Outlook]

The Japanese economy will remain in a difficult situation, with the poor performance of the Japanese stock market, stagnant corporate capital investment and low personal consumption expected to continue. Under these circumstances, SECOM will actively promote our businesses in order to build and expand our Social System Industry vision. We will strengthen our business operations, improve the quality of service, develop advanced systems and fully utilize our management resources.

Based on favorable progress in the security services, mainly in centralized security systems such as the newly introduced SECOM DX for commercial use, we forecast a 5.9% increase in revenue from the security services segment for the next fiscal year. For the medical services segment, we expect 9.4% increase in revenue. But for both the insurance services segment and the information and communication related and other services segment, we expect the same level of revenue. As a whole, we forecast revenue of JPY 545,481 million, up 4.2% from the fiscal year under review.

Regarding ordinary income, we forecast JPY 80,611 million, an increase of 15.1%, with an increase of 2.9% in costs and operating expenses and no increase in selling, general and administrative expenses expected, respectively.

Regarding net income, we forecast JPY 40,536 million, an increase of 13.9%, as we expect to record an extraordinary profit of JPY 2,485 million by changing a part of our pension and retirement plan from defined-benefit to defined-contribution.

2. Cash Flows

[Review]

(In millions of yen)

	Years ended March 31		Change
	2002	2003	
Net cash provided by operating activities	175,409	91,992	(83,417)
Net cash used in investing activities	(118,053)	(87,682)	30,371
Net cash provided by (used in) financing activities	5,887	(38,409)	(44,296)
Effect of exchange rate changes on cash and cash equivalents	524	(421)	(946)
Net increase (decrease) in cash and cash equivalents	63,769	(34,520)	(98,289)
Cash and cash equivalents at beginning of the period	141,725	205,494	63,769
Decrease in cash and cash equivalents due to decrease in scope of consolidation	—	(940)	(940)
Cash and cash equivalents at end of the period	205,494	170,033	(35,461)

Net cash provided by operating activities was JPY 91,992 million, a decrease of 47.6% from the previous period. Income before income taxes amounted to JPY 67,921 million, a rise of 210.4%. In contrast, an increase in investment deposits by policyholders, unearned premiums and other insurance liabilities totaled JPY 5,956 million, a drop of 94.0%. Moreover, a decrease in accrued pension and severance costs amounted to JPY 4,411 million, compared with an increase of JPY 42,357 million in the previous period.

This was due to the recognition of a one-shot charge of prior service costs regarding a substitutional portion of SECOM Employees' Pension Fund.

Net cash used in investing activities totaled JPY 87,682 million, a decrease of 25.7%. Payments for investments in securities amounted to JPY 80,131 million, up 254.5%; and payments for purchases of tangible assets totaled JPY 41,890 million, down 12.5%.

Net cash used in financing activities was JPY 38,409 million, in contrast with JPY 5,887 million net cash provided by financing activities in the previous period. Increase in bank loans reached JPY 57,103 million, compared with a decrease of JPY 6,633 million in the previous period. Cash outflow by the repayments of long-term loans amounted to JPY 43,144 million, compared with JPY 7,037 million in the previous year. An increase in treasury stock, represented by the Company's reacquisition of 8,000,000 shares of its common stock for JPY 43,360 million on August 13, 2002, caused a JPY 44,145 million cash outflow in the period under review, compared with an outflow of JPY 138 million in the previous period.

As a result of the above, cash and cash equivalents as of March 31, 2003, totaled JPY 170,033 million, a decrease of JPY 35,461 million from the end of the previous fiscal year.

[Trend of major financial ratios]

	Years ended March 31			
	2000	2001	2002	2003
Equity / Total assets -Book (%)	48.8	46.8	36.6	33.9
Equity / Total assets -MV (%)	268.3	198.7	124.8	62.8
Debt redemption years (years)	1.4	0.8	1.0	2.3
Interest coverage ratio	64.2	89.6	122.5	31.7

Note:

Equity / Total assets -Book: Shareholders' equity / Total assets

Equity / Total assets -MV: Market capitalization of equity / Total assets

Debt redemption years: Interest-bearing debts / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest expenses

1. Each ratio is calculated on a consolidated basis.
2. Market capitalization: Per share price at the end of year times number of shares outstanding at the end of year (treasury stock deducted).
3. Cash flows from operating activities are from the consolidated statements of cash flows; interest-bearing debts are all the interest-paying debts recorded on the consolidated balance sheets; interest expenses are from the consolidated statements of cash flows.

Consolidated Balance Sheets

(In millions of yen)

	March 31, 2002		March 31, 2003		Amount change from the previous year
	Amount	% of total assets	Amount	% of total assets	
ASSETS:					
Current assets:	495,251	46.2%	420,903	38.6%	(74,348)
Cash on hand and in banks	192,437		175,776		(16,660)
Call loan	40,000		30,000		(10,000)
Notes and accounts receivable, trade	46,048		43,922		(2,125)
Due from subscribers	14,395		16,336		1,940
Marketable securities	31,321		36,402		5,081
Inventories	55,387		41,339		(14,048)
Deferred income taxes	9,111		7,678		(1,433)
Short-term loans	90,610		51,355		(39,255)
Other current assets	17,441		19,650		2,209
Allowance for doubtful accounts	(1,501)		(1,558)		(56)
Fixed assets:	575,731	53.8%	669,034	61.4%	93,303
Tangible assets:	230,000	21.5%	261,017	23.9%	31,016
Buildings and improvements	68,804		90,823		22,018
Signal equipment on subscribers' premises	61,729		-		(61,729)
Control station signal equipment	16,599		-		(16,599)
Security equipment and control stations	-		65,026		65,026
Land	63,547		87,853		24,306
Other tangible assets	19,321		17,313		(2,007)
Intangible assets	37,460	3.5%	34,544	3.2%	(2,916)
Investments and others:	308,270	28.8%	373,473	34.3%	65,203
Investment securities	158,438		188,880		30,441
Long-term loans receivable	86,420		102,448		16,028
Deferred income taxes	38,299		38,056		(243)
Other investments	37,452		52,098		14,645
Allowance for doubtful accounts	(12,341)		(8,010)		4,330
Deferred assets:	207	0.0%	192	0.0%	(14)
Total assets	1,071,190	100.0%	1,090,131	100.0%	18,940

Consolidated Balance Sheets (Contd.)

(In millions of yen)

	March 31, 2002		March 31, 2003		Amount change from the previous year
	Amount	% of total assets	Amount	% of total assets	
LIABILITIES:					
Current liabilities:	224,972	21.0%	259,531	23.8%	34,558
Notes and accounts payable, trade	16,401		15,529		(872)
Bank loans	90,194		135,540		45,346
Current portion of straight bonds	5,000		-		(5,000)
Current portion of convertible bonds	33		-		(33)
Payables - other	20,229		19,580		(648)
Income taxes payable	23,002		10,756		(12,246)
Consumption taxes payable	3,030		3,444		414
Accrued expenses	1,828		1,837		8
Deferred revenue - service charges	27,373		28,851		1,477
Accrued bonus	8,834		8,852		17
Other current liabilities	29,045		35,140		6,095
Fixed liabilities:	426,666	39.8%	432,803	39.7%	6,137
Straight bonds	30,500		32,000		1,500
Convertible bonds	18		18		-
Long-term loans	48,671		48,301		(369)
Guarantee deposits received from subscribers	26,174		28,304		2,130
Deferred income taxes	1		459		457
Accrued pension and severance costs	49,617		45,210		(4,407)
Investment deposits by policyholders, unearned premiums and other insurance liabilities	268,519		274,476		5,956
Other fixed liabilities	3,164		4,033		869
Total liabilities	651,639	60.8%	692,335	63.5%	40,696
Minority shareholders' interest in subsidiaries:	27,401	2.6%	28,042	2.6%	640
SHAREHOLDERS' EQUITY:					
Common stock	66,360	6.2%			(66,360)
Additional paid-in capital	82,536	7.7%			(82,536)
Retained earnings	250,400	23.3%			(250,400)
Net unrealized gain in debt and equity securities	(246)	(0.0%)			246
Foreign currency translation adjustments	(6,759)	(0.6%)			6,759
Common stock in treasury, at cost	(141)	(0.0%)			141
Total shareholders' equity	392,149	36.6%			(392,149)
Common stock			66,368	6.1%	66,368
Capital surplus			82,544	7.6%	82,544
Earned surplus			276,397	25.3%	276,397
Net unrealized gain in debt and equity securities			116	0.0%	116
Foreign currency translation adjustments			(11,386)	(1.0%)	(11,386)
Common stock in treasury, at cost			(44,287)	(4.1%)	(44,287)
Total shareholders' equity			369,753	33.9%	369,753
Total liabilities, minority shareholders' interest in subsidiaries and shareholders' equity	1,071,190	100.0%	1,090,131	100.0%	18,940

Consolidated Statements of Income

(In millions of yen)

	Year ended March 31, 2002		Year ended March 31, 2003		Change from the previous year	
	Amount	% of revenue	Amount	% of revenue	Amount	% change
Revenue	497,921	100.0%	523,271	100.0%	25,350	5.1%
Costs of revenue	319,826	64.2%	325,952	62.3%	6,125	1.9%
Gross profit	178,094	35.8%	197,319	37.7%	19,224	10.8%
Selling, general and administrative expenses	135,071	27.2%	124,416	23.8%	(10,655)	(7.9%)
Operating income	43,022	8.6%	72,902	13.9%	29,880	69.5%
Non-operating income	8,088	1.6%	8,672	1.7%	583	7.2%
Non-operating expenses	9,569	1.9%	11,512	2.2%	1,942	20.3%
Ordinary income	41,541	8.3%	70,063	13.4%	28,521	68.7%
Extraordinary income	33,491	6.7%	13,587	2.6%	(19,903)	(59.4%)
Extraordinary losses	53,150	10.6%	15,728	3.0%	(37,422)	(70.4%)
Income before income taxes	21,882	4.4%	67,921	13.0%	46,039	210.4%
Income taxes - current	37,095	7.5%	27,808	5.3%	(9,286)	(25.0%)
Income taxes - deferred	(23,550)	(4.7%)	2,171	0.4%	25,721	-
Minority interest in consolidated subsidiaries	(1,246)	(0.3%)	2,358	0.5%	3,604	-
Net income	9,583	1.9%	35,583	6.8%	25,999	271.3%
Retained earnings at beginning of the period	250,409		-		(250,409)	
Decrease in retained earnings						
Cash dividends	9,323		-		(9,323)	
Directors' bonuses	267		-		(267)	
Retained earnings at end of the period	250,400		-		(250,400)	

Consolidated Statements of Capital Surplus and Earned Surplus

(In millions of yen)

	Year ended March 31, 2002	Year ended March 31, 2003	Change from the previous year
	Amount	Amount	Amount
Capital surplus			
Balance at beginning of the period	-	82,536	82,536
Increase in capital surplus			
Conversion of convertible bonds	-	8	8
Balance at end of the period	-	82,544	82,544
Earned surplus			
Balance at beginning of the period	-	250,400	250,400
Increase in earned surplus			
Net income	-	35,583	35,583
Effect of changes in investments accounted for under the equity method	-	1	1
Decrease in earned surplus			
Cash dividends	-	9,330	9,330
Directors' bonuses	-	258	258
Balance at end of the period	-	276,397	276,397

Consolidated Statements of Cash Flows

(In millions of yen)

	Year ended March 31, 2002	Year ended March 31, 2003
Cash flows from operating activities:		
Income before income taxes	21,882	67,921
Depreciation	39,353	36,572
Amortization of goodwill	3,571	3,877
Equity in net gains of affiliated companies	(1,342)	(1,323)
Increase (decrease) in allowance for doubtful accounts	8,075	(4,271)
Increase (decrease) in accrued pension and severance costs	42,357	(4,411)
Interest and dividend income	(10,241)	(10,768)
Interest expenses	1,459	3,104
Exchange (gains) losses	(320)	388
Net loss on sales and disposal of tangible assets	2,863	2,111
Loss on other-than-temporary impairment of signal equipment and inventories	-	2,896
Gain on sales of investment securities	(2,630)	(1,137)
Loss on revaluation of investment securities	4,160	10,639
Gain on sales of investment in affiliates' securities	(1,014)	(330)
Increase in notes and accounts receivable, trade, and due from subscribers	(6,018)	(97)
(Increase) decrease in inventories	(4,850)	10,097
Decrease in accounts payable	(1,014)	(893)
Increase in investment deposit by policyholders, unearned premiums and other insurance liabilities	99,870	5,956
Other	1,629	3,129
Subtotal	197,789	123,462
Interest and dividend received	11,002	11,627
Interest paid	(1,431)	(2,903)
Income taxes paid	(31,951)	(40,195)
Net cash provided by operating activities	175,409	91,992
Cash flows from investing activities:		
Decrease in time deposits	7,950	430
Decrease in marketable securities	15,459	10,291
Payments for purchases of tangible assets	(47,866)	(41,890)
Proceeds from sales of tangible assets	1,304	2,009
Payments for investments in securities	(22,601)	(80,131)
Proceeds from sales of investment in securities	10,148	16,491
Payments for investments in subsidiaries' securities	(89)	(38)
Proceeds from sales of investment in subsidiaries' securities	2,224	90
(Increase) decrease in short-term loans receivable	(25,811)	4,537
Payments for long-term loans receivable	(77,530)	(45,113)
Proceeds from long-term loans receivable	22,016	47,934
Increase in other assets	(4,617)	(2,640)
Payments for acquisition of consolidated subsidiaries	1,358	348
Net cash used in investing activities	(118,053)	(87,682)
Cash flows from financing activities:		
Increase (decrease) in bank loans	(6,633)	57,103
Proceeds from long-term loans	3,650	6,311
Repayments of long-term loans	(7,037)	(43,144)
Proceeds from straight bonds	29,823	1,431
Payments for redemption of straight bonds	(5,000)	(5,016)
Proceeds from minority shareholders	1,133	134
Dividends paid	(9,323)	(9,330)
Dividends paid for minority shareholders	(584)	(666)
Increase in treasury stock	(138)	(44,145)
Increase in treasury stock of subsidiaries	-	(1,087)
Net cash provided by (used in) financing activities	5,887	(38,409)
Effect of exchange rate changes on cash and cash equivalents	524	(421)
Net increase (decrease) in cash and cash equivalents	63,769	(34,520)
Cash and cash equivalents at beginning of year	141,725	205,494
Decrease in cash and cash equivalents due to decrease in scope of consolidation	-	(940)
Cash and cash equivalents at end of year	205,494	170,033

Segment Information

1. Business segment information

(In millions of yen)

	Year ended March 31, 2002						
	Security services	Medical services	Insurance services	Information and communication related and other services	Total	Eliminations or corporate items	Consolidated
Revenue:							
Customers	339,160	13,452	40,492	104,816	497,921	-	497,921
Intersegment	4,688	165	2,437	4,205	11,496	(11,496)	-
Sub total	343,848	13,617	42,929	109,021	509,417	(11,496)	497,921
Operating costs and expenses	279,925	14,465	49,801	107,403	451,596	3,302	454,898
Operating income (loss)	63,922	(848)	(6,871)	1,618	57,821	(14,798)	43,022
Assets	417,369	55,017	288,910	176,324	937,622	133,568	1,071,190
Depreciation and amortization	34,763	467	331	4,210	39,772	(419)	39,353
Capital expenditures	43,952	2,802	479	9,011	56,246	(1,399)	54,847

(In millions of yen)

	Year ended March 31, 2003						
	Security services	Medical services	Insurance services	Information and communication related and other services	Total	Eliminations or corporate items	Consolidated
Revenue:							
Customers	351,997	19,980	38,149	113,143	523,271	-	523,271
Intersegment	4,134	170	2,524	2,987	9,817	(9,817)	-
Sub total	356,132	20,151	40,673	116,131	533,088	(9,817)	523,271
Operating costs and expenses	275,623	18,937	38,844	111,886	445,292	5,076	450,368
Operating income (loss)	80,508	1,213	1,829	4,244	87,796	(14,893)	72,902
Assets	411,439	64,704	294,326	208,548	979,019	111,112	1,090,131
Depreciation and amortization	29,778	949	443	5,792	36,964	(391)	36,572
Capital expenditures	28,992	7,861	314	8,369	45,537	450	45,987

2. Geographic segment information

(In millions of yen)

	Year ended March 31, 2002				
	Japan	Others	Total	Eliminations or corporate items	Consolidated
Revenue:					
Customers	488,197	9,723	497,921	-	497,921
Intersegment	158	6	164	(164)	-
Sub total	488,356	9,729	498,085	(164)	497,921
Operating costs and expenses	429,922	10,619	440,542	14,356	454,898
Operating income (loss)	58,433	(889)	57,543	(14,521)	43,022
Assets	885,068	19,195	904,263	166,927	1,071,190

(In millions of yen)

	Year ended March 31, 2003				
	Japan	Others	Total	Eliminations or corporate items	Consolidated
Revenue:					
Customers	512,150	11,120	523,271	-	523,271
Intersegment	184	-	184	(184)	-
Sub total	512,335	11,120	523,455	(184)	523,271
Operating costs and expenses	423,859	11,759	435,619	14,749	450,368
Operating income (loss)	88,475	(639)	87,836	(14,933)	72,902
Assets	913,468	12,651	926,120	164,011	1,090,131

3. Revenue from overseas

(In millions of yen)

	Years ended March 31	
	2002	2003
Revenue from overseas	10,388	11,795
Consolidated revenue	497,921	523,271
% of consolidated revenue	2.1%	2.3%

Change in Accounting Principle

Effective April 1, 2002, the Group has changed the accounting method for security equipment installation costs. The portion of installation costs exceeding revenue from subscriber installation services is capitalized as long-term prepaid expenses, which is a component of other investments on the consolidated balance sheets, and is amortized over the contractual period (5 years) using the straight-line method. Previously, the portion of installation costs was capitalized as control station signal equipment on the consolidated balance sheets and was depreciated using the declining-balance method. The Group viewed that the excess portion should be characterized as operating costs to acquire new subscribers rather than recognized as costs related to the operation of security equipment as accounted for previously. The change in this accounting method more appropriately reflects the periodic matching of subscribers' acquisition costs with expected recurring revenues.

As a result of this change, control station signal equipment* decreased by JPY 15,196 million with a corresponding increase in long-term prepaid expenses. The accounting change did not have a material effect on the consolidated statements of income for the year ended March 31, 2003.

*Signal equipment on subscribers' premises and control station signal equipment was combined into signal equipment and control stations.

Pension Benefits

1. Pension benefit system employed

Employees of the Company and its Japanese subsidiaries whose services are terminated are, under most circumstances, entitled to lump-sum severance indemnities or eligible for pension benefits.

In March 2002, the Company and certain of its subsidiaries integrated and amended three pension plans (lump-sum payment plan; welfare pension plan; and non-contributory defined benefit pension plan) to a cash balance pension plan, effective April 1, 2002. Under the cash balance pension plans, each participant has an account which is credited annually based on the current rate of pay and interest rate of 3%. With this plan amendment, the benefit obligation decreased.

Upon enforcement of the Law of Defined Benefit Corporate Pensions, SECOM Employees' Pension Fund received authorization from the Minister of Health, Labour and Welfare, on April 23, 2002, to return a substitutional portion of employees' pension funds to the government, thereby freeing the Company from any future obligation concerning that portion.

During the second half of the fiscal year, another amendment was made on the abovementioned cash balance pension plan: 20% of the balance has been transferred to defined contribution pension plan; the remaining 80% to a revised cash balance pension plan, in which the interest rate, previously fixed to 3%, is now related to the rate of 10-year government bonds. The amended cash balance pension plan and defined contribution pension plan became effective on April 1, 2003.

Most subsidiaries outside Japan have various retirement plans, which are primarily defined contribution plans, covering substantially all of their employees.

2. Benefit obligation

(Please refer to the Japanese edition)

3. Pension and severance costs

	(In millions of yen)	
	Years ended March 31	
	2002	2003
Service cost	7,914	4,200
Interest cost	4,377	3,224
Expected return on plan assets	(3,175)	(2,434)
Amendments	7,086	-
Lump-sum recognition of prior period actuarial loss and transition obligations (*)	40,977	-
Recognition of actuarial loss	20,846	11,742
Recognition of prior service cost:		
Due to the change in accounting for pensions	(30,119)	(6,786)
Related to the substitutional portion of of the employee pension fund	-	(7,561)
Total pension and severance costs	47,905	2,384

(*) Note: Owing to the changes in accounting for pensions, JPY 7,068 million of unrecognized transition difference and JPY 40,977 million of unrecognized actuarial loss generated in the previous years are recognized as an extraordinary expense.

4. Assumptions used in the calculation of benefit obligation

(Please refer to the Japanese edition)