

**CONSOLIDATED FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

May 13, 2004

Company name: SECOM Co., Ltd. (URL: <http://www.secom.co.jp>)
 Code number: 9735 Tokyo Stock Exchange ----- First Section
 Osaka Stock Exchange ----- First Section
 Corporate headquarters: Tokyo, Japan
 Representative: Shohei Kimura, President and Representative Director
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 Date approved by Board of Directors: May 13, 2004
 Adoption of US GAAP: None

1. Summary of the consolidated financial statements for the fiscal year ended March 31, 2004 (April 1, 2003 – March 31, 2004)

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

	Years ended March 31	
	2003	2004
Revenue	JPY 523,271 million	JPY 527,409 million
% change from the previous year	5.1%	0.8%
Operating income	JPY 72,902 million	JPY 81,286 million
% change from the previous year	69.5%	11.5%
Ordinary income	JPY 70,063 million	JPY 76,243 million
% change from the previous year	68.7%	8.8%
Net income	JPY 35,583 million	JPY 41,111 million
% change from the previous year	271.3%	15.5%
Basic net income per share	JPY 154.96	JPY 181.40
Diluted net income per share	JPY 154.95	JPY 181.40
Net income / Shareholders' equity	9.3%	10.6%
Ordinary income / Total assets	6.5%	7.0%
Ordinary income / Revenue	13.4%	14.5%

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

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

Year ended March 31, 2004: JPY 1,028 million

Note 2. Weighted average number of common shares outstanding:

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

Year ended March 31, 2004: 225,066,405 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.

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

	March 31, 2003	March 31, 2004
Total assets	JPY 1,090,131 million	JPY 1,092,067 million
Shareholders' equity	JPY 369,753 million	JPY 403,257 million
Shareholders' equity / Total assets	33.9%	36.9%
Shareholders' equity per share	JPY 1,641.53	JPY 1,790.58

Note 1. Number of common shares outstanding:

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

As of March 31, 2004: 225,052,481 shares

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

	Years ended March 31	
	2003	2004
Cash flows from operating activities	JPY 91,992 million	JPY 87,939 million
Cash flows from investing activities	JPY (87,682) million	JPY (34,386) million
Cash flows from financing activities	JPY (38,409) million	JPY (36,211) million
Cash and cash equivalents at end of the period	JPY 170,033 million	JPY 187,199 million

(4) Consolidated subsidiaries and affiliated companies

	Additions	Deletions	As of March 31, 2004
Number of consolidated subsidiaries	6	6	124
Number of affiliated companies	4	2	41

2. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2005 (April 1, 2004 – March 31, 2005) and the six-month period ending September 30, 2004 (April 1, 2004 – September 30, 2004)

	Six-month period ending September 30, 2004	Year ending March 31, 2005
Revenue	JPY 256,300 million	JPY 560,100 million
Ordinary income	JPY 37,800 million	JPY 84,300 million
Net income	JPY 19,900 million	JPY 45,300 million

Note: Expected basic net income per share (for the full year): JPY 200.03

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

Consolidated Balance Sheets

(In millions of yen)

	March 31, 2003		March 31, 2004		Amount change from the previous year
	Amount	% of total assets	Amount	% of total assets	
ASSETS:					
Current assets:	420,903	38.6%	478,668	43.8%	57,764
Cash on hand and in banks	175,776		202,630		26,853
Call loan	30,000		38,000		8,000
Notes and accounts receivable, trade	43,922		46,813		2,891
Due from subscribers	16,336		17,561		1,224
Marketable securities	36,402		47,343		10,941
Inventories	41,339		45,477		4,138
Deferred income taxes	7,678		9,768		2,090
Short-term loans receivable	51,355		58,793		7,438
Other current assets	19,650		17,205		(2,445)
Allowance for doubtful accounts	(1,558)		(4,925)		(3,367)
Fixed assets:	669,034	61.4%	613,211	56.2%	(55,823)
Tangible assets:	261,017	23.9%	243,945	22.3%	(17,072)
Buildings and improvements	90,823		79,072		(11,750)
Security equipment and control stations	65,026		65,315		288
Land	87,853		80,507		(7,346)
Other tangible assets	17,313		19,050		1,736
Intangible assets	34,544	3.2%	33,820	3.2%	(723)
Investments and others:	373,473	34.3%	335,445	30.7%	(38,027)
Investment securities	188,880		207,654		18,774
Long-term loans receivable	102,448		63,799		(38,649)
Deferred income taxes	38,056		22,523		(15,532)
Other investments	52,098		55,528		3,429
Allowance for doubtful accounts	(8,010)		(14,060)		(6,049)
Deferred assets:	192	0.0%	187	0.0%	(5)
Total assets	1,090,131	100.0%	1,092,067	100.0%	1,936

Consolidated Balance Sheets (Contd.)

(In millions of yen)

	March 31, 2003		March 31, 2004		Amount change from the previous year
	Amount	% of total assets	Amount	% of total assets	
LIABILITIES:					
Current liabilities:	259,531	23.8%	261,181	23.9%	1,649
Notes and accounts payable, trade	15,529		18,460		2,931
Bank loans	135,540		119,344		(16,195)
Current portion of straight bonds	-		200		200
Current portion of convertible bonds	-		18		18
Payables - other	19,580		17,743		(1,836)
Income taxes payable	10,756		17,083		6,327
Consumption taxes payable	3,444		3,792		348
Accrued expenses	1,837		2,304		467
Deferred revenue - service charges	28,851		28,459		(392)
Accrued bonus	8,852		8,490		(361)
Other current liabilities	35,140		45,283		10,142
Fixed liabilities:	432,803	39.7%	397,858	36.5%	(34,944)
Straight bonds	32,000		32,800		800
Convertible bonds	18		-		(18)
Long-term loans	48,301		43,530		(4,771)
Guarantee deposits received from subscribers	28,304		29,160		855
Deferred income taxes	459		371		(88)
Accrued pension and severance costs	45,210		12,899		(32,310)
Investment deposits by policyholders, unearned premiums and other insurance liabilities	274,476		276,979		2,503
Other fixed liabilities	4,033		2,117		(1,915)
Total liabilities	692,335	63.5%	659,040	60.4%	(33,295)
Minority shareholders' interest in subsidiaries:	28,042	2.6%	29,770	2.7%	1,727
SHAREHOLDERS' EQUITY:					
Common stock	66,368	6.1%	66,368	6.1%	-
Capital surplus	82,544	7.6%	82,544	7.6%	-
Earned surplus	276,397	25.3%	308,268	28.1%	31,871
Net unrealized gain in debt and equity securities	116	0.0%	6,079	0.6%	5,962
Foreign currency translation adjustments	(11,386)	(1.0%)	(15,603)	(1.4%)	(4,217)
Common stock in treasury, at cost	(44,287)	(4.1%)	(44,400)	(4.1%)	(113)
Total shareholders' equity	369,753	33.9%	403,257	36.9%	33,503
Total liabilities, minority shareholders' interest in subsidiaries and shareholders' equity	1,090,131	100.0%	1,092,067	100.0%	1,936

Consolidated Statements of Income

(In millions of yen)

	Year ended March 31, 2003		Year ended March 31, 2004		Change from the previous year	
	Amount	% of revenue	Amount	% of revenue	Amount	% change
Revenue	523,271	100.0%	527,409	100.0%	4,138	0.8%
Costs of revenue	325,952	62.3%	324,759	61.6%	(1,192)	(0.4%)
Gross profit	197,319	37.7%	202,650	38.4%	5,330	2.7%
Selling, general and administrative expenses	124,416	23.8%	121,363	23.0%	(3,052)	(2.5%)
Operating income	72,902	13.9%	81,286	15.4%	8,383	11.5%
Non-operating income	8,672	1.7%	7,798	1.5%	(874)	(10.1%)
Non-operating expenses	11,512	2.2%	12,841	2.4%	1,329	11.5%
Ordinary income	70,063	13.4%	76,243	14.5%	6,179	8.8%
Extraordinary income	13,587	2.6%	31,860	6.0%	18,273	134.5%
Extraordinary losses	15,728	3.0%	24,892	4.7%	9,163	58.3%
Income before income taxes	67,921	13.0%	83,211	15.8%	15,289	22.5%
Income taxes - current	27,808	5.3%	30,962	5.9%	3,153	11.3%
Income taxes - deferred	2,171	0.4%	8,985	1.7%	6,813	313.7%
Minority interest in consolidated subsidiaries	2,358	0.5%	2,152	0.4%	(205)	(8.7%)
Net income	35,583	6.8%	41,111	7.8%	5,527	15.5%

Consolidated Statements of Capital Surplus and Earned Surplus

(In millions of yen)

	Year ended March 31, 2003		Year ended March 31, 2004		Change from the previous year	
	Amount		Amount		Amount	
Capital surplus						
Balance at beginning of the period	82,536		82,544		8	
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		276,397		25,996	
Increase in earned surplus						
Net income	35,583		41,111		5,527	
Effect of changes in investments accounted for under the equity method	1		-		(1)	
Decrease in earned surplus						
Cash dividends	9,330		9,003		(326)	
Directors' bonuses	258		236		(21)	
Balance at end of the period	276,397		308,268		31,871	

Consolidated Statements of Cash Flows

(In millions of yen)

	Year ended March 31, 2003	Year ended March 31, 2004
Cash flows from operating activities:		
Income before income taxes	67,921	83,211
Depreciation	36,572	37,498
Amortization of goodwill	3,877	4,024
Equity in net gains of affiliated companies	(1,323)	(1,028)
Increase (decrease) in allowance for doubtful accounts	(4,271)	9,328
Increase (decrease) in accrued pension and severance costs	(4,411)	(32,314)
Interest and dividend income	(10,768)	(9,848)
Interest expenses	3,104	2,486
Exchange (gains) losses	388	469
Net loss on sales and disposal of tangible assets	2,111	745
Loss on other-than-temporary impairment of signal equipment and inventories	2,896	-
Impairment of fixed assets	-	11,240
Gain on sales of investment securities	(1,137)	(2,062)
Loss on revaluation of investment securities	10,639	487
(Gain) loss on sales of investment in affiliates' securities	(330)	28
(Increase) decrease in notes and accounts receivable, trade, and due from subscribers	(97)	5,435
(Increase) decrease in inventories	10,097	(5,392)
Increase (decrease) in accounts payable	(893)	493
Increase in investment deposit by policyholders, unearned premiums and other insurance liabilities	5,956	2,503
Other	3,129	(3,230)
Subtotal	123,462	104,073
Interest and dividend received	11,627	10,930
Interest paid	(2,903)	(2,496)
Income taxes paid	(40,195)	(24,567)
Net cash provided by operating activities	91,992	87,939
Cash flows from investing activities:		
Decrease in time deposits	430	522
Decrease in marketable securities	10,291	7,603
Payments for purchases of tangible assets	(41,890)	(39,511)
Proceeds from sales of tangible assets	2,009	5,012
Payments for investments in securities	(80,131)	(62,201)
Proceeds from sales of investment in securities	16,491	32,958
Payments for investments in subsidiaries' securities	(38)	(143)
(Increase) decrease in short-term loans receivable	4,537	(4,541)
Payments for long-term loans receivable	(45,113)	(15,529)
Proceeds from long-term loans receivable	47,934	46,985
Payments for acquisition of consolidated subsidiaries	348	(29)
Increase in other assets	(2,550)	(5,511)
Net cash used in investing activities	(87,682)	(34,386)
Cash flows from financing activities:		
Increase (decrease) in bank loans	57,103	(17,437)
Proceeds from long-term loans	6,311	9,545
Repayments of long-term loans	(43,144)	(19,243)
Proceeds from straight bonds	1,431	978
Payments for redemption of straight bonds	(5,016)	-
Proceeds from minority shareholders	134	6
Dividends paid	(9,330)	(9,003)
Dividends paid for minority shareholders	(666)	(765)
Increase in treasury stock	(44,145)	(113)
Increase in treasury stock of subsidiaries	(1,087)	(177)
Net cash provided by (used in) financing activities	(38,409)	(36,211)
Effect of exchange rate changes on cash and cash equivalents	(421)	(175)
Net increase (decrease) in cash and cash equivalents	(34,520)	17,166
Cash and cash equivalents at beginning of the period	205,494	170,033
Decrease in cash and cash equivalents due to decrease in scope of consolidation	(940)	-
Cash and cash equivalents at end of the period	170,033	187,199

Segment Information

1. Business segment information

(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

(In millions of yen)

	Year ended March 31, 2004						
	Security services	Medical services	Insurance services	Information and communication related and other services	Total	Eliminations or corporate items	Consolidated
Revenue:							
Customers	366,040	21,939	28,983	110,446	527,409	-	527,409
Intersegment	4,498	193	2,888	3,722	11,304	(11,304)	-
Sub total	370,539	22,132	31,872	114,169	538,714	(11,304)	527,409
Operating costs and expenses	278,457	21,080	30,624	114,450	444,613	1,510	446,123
Operating income (loss)	92,082	1,052	1,247	(281)	94,100	(12,814)	81,286
Assets	436,045	66,999	302,474	202,244	1,007,764	84,303	1,092,067
Depreciation and amortization	30,602	1,160	277	6,391	38,432	(934)	37,498
Impairment of fixed assets	-	511	-	8,945	9,456	1,783	11,240
Capital expenditures	31,760	1,778	467	10,387	44,393	(713)	43,679

2. Geographic segment information

(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

(In millions of yen)

	Year ended March 31, 2004				
	Japan	Others	Total	Eliminations or corporate items	Consolidated
Revenue:					
Customers	515,614	11,795	527,409	-	527,409
Intersegment	211	-	211	(211)	-
Sub total	515,826	11,795	527,621	(211)	527,409
Operating costs and expenses	421,588	11,900	433,489	12,633	446,123
Operating income (loss)	94,237	(105)	94,131	(12,845)	81,286
Assets	937,131	13,980	951,112	140,955	1,092,067

3. Revenue from overseas

(In millions of yen)

	Years ended March 31	
	2003	2004
Revenue from overseas	11,795	12,611
Consolidated revenue	523,271	527,409
% of consolidated revenue	2.3%	2.4%

The SECOM Group

The SECOM Group (the “Group”) comprises SECOM Co., Ltd. (the “Company”), 124 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 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 seven 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 three other subsidiaries in the People’s Republic of China. Subsidiaries also operate in Indonesia, Australia and Thailand. S1 Corporation operates in the Republic of Korea, Taiwan Secom Co., Ltd., operates in Taiwan, and four other overseas affiliates operate in their respective countries.

The following three subsidiaries and an affiliate, as well as 10 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. 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**

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.

Japan Image Communications Co., provides program content for satellite broadcasting.

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.

Overseas subsidiary P.T. Nusantara Secom Info-tech (previously, 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. We determine dividend payout and the amount of retained earnings and distribute profits, taking into account expansion of services and revenue trends.

We will propose the increase of our term-end cash dividends for the fiscal year ended March 31, 2004, by JPY 5 per share of common stock to JPY 45 per share, to the General Meeting of Shareholders held in June 2004.

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 and high-quality security systems, 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

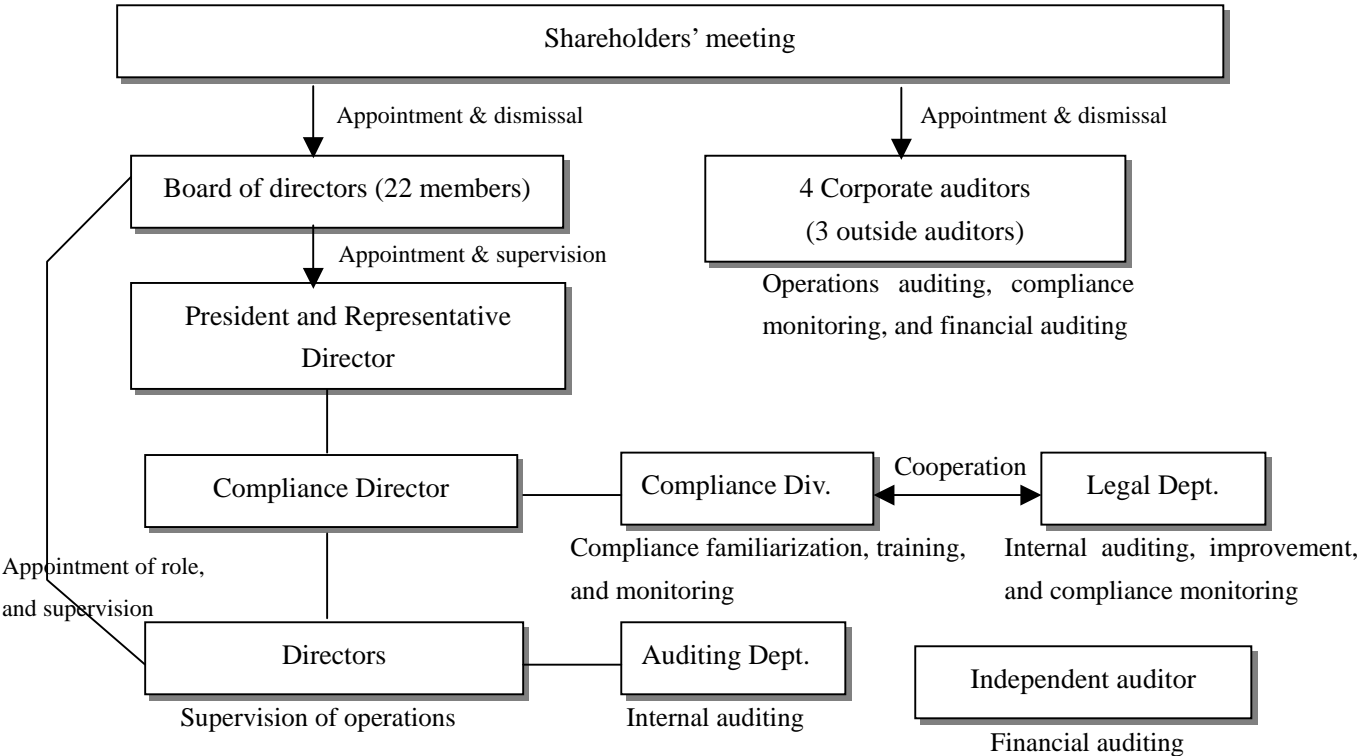
1) Our stance toward corporate governance

We deem corporate governance as one of the most important managerial tasks that increases the corporate value and transparency of disclosure to shareholders. Under the initiative of top management, we have continued to reinforce the accountability towards shareholders and the Board of Directors’ meeting, the monitoring function of outside corporate auditors, and information disclosure.

In addition, we have greatly enhanced the compliance system of the SECOM Group as a whole (group compliance). We have organized ‘Compliance Division’, which independently guides and monitors group compliance. The division has distributed SECOM Group Compliance Manual, guidance for all the employees within the Group, and set up Hot Helpline, consultation service about compliance.

2) Corporate governance system and related policies

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



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

Out of the four corporate auditors, three are outside corporate auditors. One of them originally worked for a law firm to which the Company has been a client since its inception; the two others are experienced former CEOs of other industries.

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

Operating Results

1. Results and Review

[Review]

During the fiscal year ended March 31, 2004, the Japanese stock market and capital investment showed signs of improvement, while low personal consumption and instability around the globe caused some concerns. Under such circumstances, SECOM continued to advance toward the realization of its Social System Industry vision. To this end, we enhanced existing services, strengthened our marketing capabilities, improved operating efficiency and developed new services and products --- especially those unique to SECOM group --- to meet ever-changing social needs.

In the security services segment, we continued to promote our core on-line security systems, such as the image monitoring SECOM AX for commercial market and SECOM Home Security System for residential market. During the period under review, our SECOM Home Security System has evolved into a comprehensive peace-of-mind system for family members by offering the supplementary products and services such as: SECOM *Anshin* Glass high-impact window glass with built-in sensors that enhances physical protection of house buildings; SECURIFACE intercom system that incorporates a face detection function to detect unauthorized visitors; Tomahawk Jet Alpha automated fire extinguishing system for home kitchens; SECOM Medical Club, a membership-based medical service primarily for our home security subscribers that encompasses preventive treatment and health maintenance services; and SECOM *Anshin* My Home residential fire insurance package that offers reduced premiums for home security subscribers due to reduced risks. Also during the period, we introduced SECOM MS-3, a versatile security system suited for almost any form of condominium. We enhanced the sales of automated fire alarm systems, since their installation is required at small-sized, multi-tenant buildings after the amendment of the Fire Defense Law in October 2003. We also expanded the lineup of our COCO-SECOM services, designed to locate the position of people or automobiles on the move, by adding a safety-confirmation function to transmitters.

In the medical services segment, we continued to seek further efficiency in our home medical care services. As described above, we started SECOM Medical Club during the period under review. We also launched a portable electrocardiograph that patients can use to record heart activity and transmit data to a designated medical institution, even when they are away from home. This service is also offered as an optional service of SECOM Medical Club. Capitalizing on our expertise in home medical services, we began a consulting and support program for physicians starting up new home medical care clinics, thereby helping the diffusion of home medical care. SECOM Medical Image Storage System and Medical Risk Management System are new additions to our lineup of medical information systems for medical institutions. Anticipating the trend toward more frequent migration of medical staff, we launched medical human resource solutions for doctors and medical administrators.

In the insurance services segment, we continued to market our automobile insurance policy New SECOM *Anshin* My Car, commercial fire insurance policy Security Discount Fire Policy, residential fire insurance package SECOM *Anshin* My Home, and unrestricted cancer treatment policy MEDCOM. During the period, MEDCOM reformed itself, expanding its coverage to the treatment covered by Japan's national health insurance scheme, as well as cutting-edge treatment not covered by national health insurance.

In the information and communication related and other services segment, we focused on information services including cyber security, GIS services, education services, and real estate sales and leasing. During the fiscal year under review, we developed a non-contact integrated circuit (IC) card-based security system, which combines office security, including building and floor access control, with cyber security, including computer access control, in an integrated system. Our Secure Data Center, highly valued for the quality of its physical and cyber security, acquired a contract with a mega pharmaceutical firm for maintaining its information systems and servers. In the GIS business, we marketed to public sectors by emphasizing our technological capabilities and promoted GIS-related services for private sectors. In the real estate sales business, we continued to sell safe and high-grade Glorio condominiums.

During the fiscal year under review, we renovated our information network infrastructure, in an effort to increase efficiency of our services and decrease communication costs.

As a result of these activities, revenue for the fiscal year ended March 31, 2004, amounted to JPY 527,409 million, an increase of 0.8% from the fiscal year ended March 31, 2003. Ordinary income increased 8.8%, to JPY 76,243 million, and net income rose 15.5%, to JPY 41,111 million. Extraordinary income of JPY 25,472 million was recorded for the return of the substitutional portion of employees' pension funds, and JPY 2,485 million was recorded for the transition to defined contribution plan. On the other hand, early adoption of the accounting for impairment of fixed assets caused JPY 11,240 million extraordinary loss, and increase in allowance for doubtful accounts caused JPY 7,895 million extraordinary loss.

Effective April 1, 2003, the Group has changed the accounting method for revenue and costs of revenue in the insurance services segment. The maturity amount of funded insurance policies was previously accounted for as both revenue and costs of revenue. To more appropriately reflect actual transactions, however, we have changed the accounting method so that the maturity amount is accounted for as neither revenue nor costs of revenue. As a consequence, revenue and costs of revenue for the fiscal year ended March 31, 2004, both saw a decrease of JPY 8,224 million. Assuming the new accounting method, revenue and costs of revenue for the fiscal year ended March 31, 2003, would have seen a decrease of JPY 9,791 million, indicating that an increase in revenue for the fiscal year under review would have been JPY 13,930 million, or 2.7%, compared with the adjusted revenue a year ago.

Revenue from security services totaled JPY 366,040 million, an increase of 4.0% from the previous year, reflecting the continuous growth of our centralized security services. Operating income increased 14.4%, to JPY 92,082 million, partly due to decreased pension and severance costs.

Revenue from medical services increased 9.8% from the previous period, to JPY 21,939 million, reflecting the solid growth of our home medical care services. However, operating income was JPY 1,052 million, a decrease of 13.3%.

Revenue from insurance services amounted to JPY 28,983 million, a drop of 24.0%, owing primarily to the aforementioned change in accounting method to not account for the maturity amount of funded insurance policies as revenue. Applying the new accounting method to the previous year, however, revenue for the period would have increased 2.2% from the previous period. Operating income amounted to JPY 1,247

million, a 31.8% decrease.

Revenue from information and communication related and other services amounted to JPY 110,446 million, down 2.4%, owing to a tough market environment for Pasco Corporation, whose major clients --- national and local government --- have been attempting to cut expenditures for public projects. We recorded an operating loss for this segment of JPY 281 million, compared with JPY 4,244 million operating income in the previous period.

By geographic segment, meanwhile, domestic revenue for the period was JPY 515,614 million, an increase of 0.7%, while domestic operating income was JPY 94,237 million, up 6.5%. Revenue from other countries totaled JPY 11,795 million, an increase of 6.1%, while operating loss was JPY 105 million, compared with a JPY 639 million loss recorded in the previous period.

[Outlook]

The economic environment in Japan will remain unclear, with much uncertainty in the exchange market and world economy. Under these circumstances, SECOM will actively promote its businesses to build and expand its Social System Industry. We will strengthen our business operations, improve the quality of service, develop advanced systems and fully utilize our management resources.

We forecast figures for the fiscal year ending March 31, 2005, to include: revenue of JPY 560,100 million, up 6.2% from the fiscal year ended March 31, 2004; ordinary income of JPY 84,300 million, up 10.6%; and net income of JPY 45,300 million, up 10.2%. We expect favorable progress, namely a 5.2% increase in revenue, in security services, especially centralized security systems such as image monitoring SECOM AX and on-line security system SECOM DX for commercial facilities including stores, offices, warehouses, and plants. Revenue for the medical services segment is expected to grow 10.3%; the insurance services segment 6.3%; and the information and communication related and other services segment 8.6%.

Cash Flows

[Review]

(In millions of yen)

	Years ended March 31		Change
	2003	2004	
Net cash provided by operating activities	91,992	87,939	(4,052)
Net cash used in investing activities	(87,682)	(34,386)	53,295
Net cash used in financing activities	(38,409)	(36,211)	2,197
Effect of exchange rate changes on cash and cash equivalents	(421)	(175)	245
Net increase (decrease) in cash and cash equivalents	(34,520)	17,166	51,687
Cash and cash equivalents at beginning of the period	205,494	170,033	(35,461)
Decrease in cash and cash equivalents due to decrease in scope of consolidation	(940)	—	940
Cash and cash equivalents at end of the period	170,033	187,199	17,166

Net cash provided by operating activities was JPY 87,939 million, a decrease of JPY 4,052 million from the previous period. Income before income taxes amounted to JPY 83,211 million, a rise of JPY 15,289 million. Increase in allowance for doubtful accounts was JPY 9,328 million, compared to a decrease of JPY 4,271 million in the previous year. Decrease in accrued pension and severance costs was JPY 32,314 million, due to the return of the substitutional portion of SECOM Employees' Pension Funds to the government, compared to a JPY 4,411 million decrease in the previous period due to the recognition of one-shot charge of prior service costs regarding the substitutional portion. Increase in inventories, including real estate for sales, was JPY 5,392 million, compared to a decrease of JPY 10,097 million in the previous period.

Net cash used in investing activities totaled JPY 34,386 million, a decrease of JPY 53,295 million. Partly due to restructuring of investment assets for insurance services, payments for investments in securities amounted to JPY 62,201 million, smaller than the previous year by JPY 17,930 million, and proceeds from sales of investment in securities amounted to JPY 32,958 million, larger by JPY 16,466 million. Payments for purchases of tangible assets totaled JPY 39,511 million, smaller than the previous year by JPY 2,378 million. Payments for long-term loans receivable amounted to JPY 15,529 million, smaller by JPY 29,584 million, and proceeds from long-term loans receivable amounted to JPY 46,985 million, smaller by JPY 948 million.

Net cash used in financing activities was JPY 36,211 million, a decrease of JPY 2,197 million from the previous period. Decrease in bank loans totaled JPY 17,437 million, compared with an increase of JPY 57,103 million in the previous period. Repayments of long-term loans amounted to JPY 19,243 million, smaller by JPY 23,901 million. Increase in treasury stock was minimal this period, compared to JPY 44,145 million a year ago.

As a result of the above, cash and cash equivalents as of March 31, 2004, totaled JPY 187,199 million, an increase of JPY 17,166 million from the end of the previous fiscal year.

[Trends in major financial ratios]

	Years ended March 31				
	2000	2001	2002	2003	2004
Equity [BV] / Total assets (%)	48.8	46.8	36.6	33.9	36.9
Equity [MV] / Total assets (%)	268.3	198.7	124.8	62.8	93.6
Debt redemption years (years)	1.4	0.8	1.0	2.3	2.2
Interest coverage ratio	64.2	89.6	122.5	31.7	35.2

Notes:

Equity [BV] / Total assets: Shareholders' equity / Total assets

Equity [MV] / Total assets: Market capitalization of equity / Total assets

Debt redemption years: Interest-bearing debt / 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 of equity is calculated as: 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 debt comprises all the interest-paying debt recorded on the consolidated balance sheets; interest expenses are from the consolidated statements of cash flows.

Notes

1. The accounting method for revenue and costs of revenue in the insurance services segment

Effective April 1, 2003, the SECOM Group has changed the accounting method for revenue and costs of revenue in the insurance services segment. The maturity amount of funded insurance policies, previously accounted for as both revenue and costs of revenue, is accounted for as neither revenue nor the cost of revenue, effective April 1, 2003. Assuming the new accounting method, revenue for the year ended March 31, 2003, would have been as follows. Percent changes from the previous year would have also changed as follows:

Consolidated Revenue

Years ended March 31			% change from the previous year (adjusted)
2003 (pre-adjustment)	2003 (adjusted)	2004	
JPY 523,271 million	JPY 513,479 million	JPY 527,409 million	2.7%

Segment Information

Revenue in the Insurance Services Segment

Years ended March 31			% change from the previous year (adjusted)
2003 (pre-adjustment)	2003 (adjusted)	2004	
JPY 38,149 million	JPY 28,357 million	JPY 28,983 million	2.2%

2. The early adoption of the accounting for impairment of fixed assets

At the year ended March 31, 2004, the SECOM Group has adopted in advance the accounting for impairment of fixed assets, compulsory for all the applicable companies beginning in the year ended March 31, 2006. With this, both fixed assets and income before income taxes are reduced by JPY 11,240 million. Accumulated impairment losses are directly written off from fixed assets. The details of the impairment loss of JPY 11,240 million are as follows:

Real estate for leasing: JPY 8,854 million

(Land: JPY 4,206 million; Buildings: JPY 4,648 million)

Dormant properties: JPY 1,792 million

(Land: JPY 1,789 million; Other: JPY 3 million)

Business properties for Medical services: JPY 428 million

(Land: JPY 386 million; Buildings: JPY 41 million)

Business properties for GIS services: JPY 164 million

(Land: JPY 23 million; Buildings: JPY 141 million)

Total: JPY 11,240 million

3. 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.

The Company and certain of its subsidiaries have employed a cash balance pension plan since 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%.

During the second half of the fiscal year ended March 31, 2003, an amendment was made on the 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.

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 October 1, 2003 to return substitutional portion of employees' pension funds to the government, and did return the authorized portion to the government on February 12, 2004.

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

2) Pension and severance costs

	(In millions of yen)	
	Years ended March 31	
	2003	2004
Service cost	4,200	3,359
Interest cost	3,224	2,926
Expected return on plan assets	(2,434)	(2,249)
Recognition of actuarial loss	11,742	(2,802)
Recognition of prior service cost:		
Due to the change in accounting for pensions	(6,786)	(343)
Related to the substitutional portion of of the employee pension fund	(7,561)	-
Total pension and severance costs	2,384	890

Note:

Gain on return of the substitutional portion of employees' pension fund: JPY 25,472 million

Gain on transition to defined contribution plan: JPY 2,485 million

(Both recorded for the year ended March 31, 2004)