

**NONCONSOLIDATED 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  
 For inquiries: Katsuhisa Kuwahara, Executive Director Phone (03) 5775-8100  
 Date approved by Board of Directors: May 13, 2004  
 Date of General Meeting of Shareholders: June 29, 2004  
 Interim dividends plan: None  
 Sales unit of shares: 500 shares (1 *Tangen*)

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

(1) Operating results (Figures rounded down to the nearest million)

|                                   | Years ended March 31 |                     |
|-----------------------------------|----------------------|---------------------|
|                                   | 2003                 | 2004                |
| Revenue                           | JPY 278,610 million  | JPY 288,493 million |
| % change from the previous year   | 1.4%                 | 3.5%                |
| Operating income                  | JPY 54,167 million   | JPY 64,231 million  |
| % change from the previous year   | 39.2%                | 18.6%               |
| Ordinary income                   | JPY 53,513 million   | JPY 62,156 million  |
| % change from the previous year   | 37.6%                | 16.2%               |
| Net income                        | JPY 30,784 million   | JPY 34,282 million  |
| % change from the previous year   | 81.6%                | 11.4%               |
| Basic net income per share        | JPY 134.45           | JPY 151.66          |
| Diluted net income per share      | JPY 134.44           | JPY 151.65          |
| Net income / Shareholders' equity | 8.0%                 | 8.9%                |
| Ordinary income / Total assets    | 9.3%                 | 10.7%               |
| Ordinary income / Revenue         | 19.2%                | 21.5%               |

Note 1. 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 2. Change in accounting policy: Yes

Note 3. Percent numbers shown in revenue, operating income, ordinary income, and net income represent the change from the results of the previous year.

(2) Dividends

|  | Years ended March 31 |                    |
|--|----------------------|--------------------|
|  | 2003                 | 2004               |
| Interim dividends per share            | –                    | –                  |
| Term-end dividends per share           | JPY 40.00            | JPY 45.00          |
| Annual dividends per share             | JPY 40.00            | JPY 45.00          |
| Total annual dividend payout           | JPY 9,003 million    | JPY 10,127 million |
| Dividend payout ratio                  | 29.8%                | 29.7%              |
| Total dividends / Shareholders' equity | 2.4%                 | 2.5%               |

(3) Financial conditions

(Figures rounded down to the nearest million)

|                                    | March 31, 2003      | March 31, 2004      |
|------------------------------------|---------------------|---------------------|
| Total assets                       | JPY 582,707 million | JPY 580,547 million |
| Shareholders' equity               | JPY 371,182 million | JPY 397,862 million |
| Shareholders' equity/ Total assets | 63.7%               | 68.5%               |
| Shareholders' equity per share     | JPY 1,648.44        | JPY 1,767.20        |

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

Note 2. Number of common shares in treasury:

As of March 31, 2003: 8,200,245 shares

As of March 31, 2004: 8,228,652 shares

2. Forecasts for the nonconsolidated 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<br>September 30, 2004 | Year ending<br>March 31, 2005 |
|------------------------------|---|-------------------------------|
| Revenue                      | JPY 148,400 million                           | JPY 302,000 million           |
| Ordinary income              | JPY 34,100 million                            | JPY 65,500 million            |
| Net income                   | JPY 20,200 million                            | JPY 37,900 million            |
| Interim dividends per share  | –   | –                             |
| Term-end dividends per share | –   | JPY 45.00                     |
| Annual dividends per share   | –   | JPY 45.00                     |

Note: Expected basic net income per share (for the full year): JPY 167.74

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

## Nonconsolidated 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 |                                      |
| <b>ASSETS:</b>  |                |                   |                |                   |                                      |
| Current assets:   |                |                   |                |                   |                                      |
| Cash on hand and in banks   | 93,044         |                   | 117,302        |                   | 24,257                               |
| Notes receivable  | 365            |                   | 292            |                   | (72)                                 |
| Due from subscribers  | 8,311          |                   | 8,856          |                   | 544                                  |
| Accounts receivable, trade  | 4,695          |                   | 5,372          |                   | 677                                  |
| Receivables - other   | 3,047          |                   | 5,680          |                   | 2,633                                |
| Marketable securities   | 7,951          |                   | 451            |                   | (7,499)                              |
| Merchandise   | 6,738          |                   | 5,673          |                   | (1,064)                              |
| Supplies  | 1,420          |                   | 1,123          |                   | (296)                                |
| Prepaid expenses  | 1,507          |                   | 1,610          |                   | 102                                  |
| Deferred income taxes   | 4,642          |                   | 5,890          |                   | 1,247                                |
| Short-term loans receivable   | 23,035         |                   | 19,278         |                   | (3,756)                              |
| Short-term loans receivable to subsidiaries and affiliates          | 30,076         |                   | 19,119         |                   | (10,956)                             |
| Other current assets  | 2,367          |                   | 2,526          |                   | 158                                  |
| Allowance for doubtful accounts                                     | (3,602)        |                   | (5,216)        |                   | (1,614)                              |
| Total current assets  | 183,602        | 31.5%             | 187,961        | 32.4%             | 4,358                                |
| Fixed assets:   |                |                   |                |                   |                                      |
| Tangible assets:  |                |                   |                |                   |                                      |
| Buildings and improvements  | 49,095         |                   | 47,300         |                   |                                      |
| Accumulated depreciation of buildings and improvements              | 20,317         | 28,777            | 21,464         | 25,836            | (2,940)                              |
| Automobiles   | 2,540          |                   | 482            |                   |                                      |
| Accumulated depreciation of automobiles                             | 2,014          | 525               | 336            | 145               | (379)                                |
| Security equipment and control stations                             | 175,706        |                   | 185,649        |                   |                                      |
| Accumulated depreciation of security equipment and control stations | 115,485        | 60,220            | 124,964        | 60,684            | 464                                  |
| Machinery and equipment   | 7,611          |                   | 7,718          |                   |                                      |
| Accumulated depreciation of machinery and equipment                 | 6,110          | 1,501             | 6,291          | 1,427             | (74)                                 |
| Tools, furniture and fixtures                                       | 13,731         |                   | 14,733         |                   |                                      |
| Accumulated depreciation of tools, furniture and fixtures           | 10,052         | 3,678             | 10,743         | 3,990             | 311                                  |
| Land  |                | 42,197            |                | 36,439            | (5,757)                              |
| Construction in progress  |                | 1,463             |                | 2,862             | 1,399                                |
| Other tangible assets   | 142            |                   | 161            |                   |                                      |
| Accumulated depreciation of other tangible assets                   | 123            | 18                | 89             | 72                | 53                                   |
| Total tangible assets   | 138,383        | 23.7%             | 131,459        | 22.6%             | (6,923)                              |
| Intangible assets:  |                |                   |                |                   |                                      |
| Telephone rights  | 2,033          |                   | 2,134          |                   | 101                                  |
| Telephone and telegraph utility rights                              | 540            |                   | 207            |                   | (333)                                |
| Software  | 10,957         |                   | 8,935          |                   | (2,021)                              |
| Other intangible assets   | 800            |                   | 457            |                   | (343)                                |
| Total intangible assets   | 14,332         | 2.5%              | 11,735         | 2.0%              | (2,597)                              |
| Investments and others:   |                |                   |                |                   |                                      |
| Investment securities   | 20,796         |                   | 23,874         |                   | 3,077                                |
| Investment securities in subsidiaries and affiliates                | 155,886        |                   | 157,612        |                   | 1,725                                |
| Investment  | 2,224          |                   | 2,094          |                   | (130)                                |
| Investment in subsidiaries  | 4,015          |                   | 667            |                   | (3,347)                              |
| Long-term loans receivable  | 3,336          |                   | 3,071          |                   | (265)                                |
| Long-term loans receivable to employees                             | 23             |                   | 22             |                   | (1)                                  |
| Long-term loans receivable to subsidiaries and affiliates           | 6,700          |                   | 20,292         |                   | 13,592                               |
| Lease deposits  | 8,489          |                   | 8,533          |                   | 44                                   |
| Long-term prepaid expenses  | 19,709         |                   | 19,889         |                   | 180                                  |
| Deferred income taxes   | 18,379         |                   | 13,728         |                   | (4,650)                              |
| Fund for insurance  | 5,761          |                   | 5,761          |                   | -                                    |
| Other investments   | 2,664          |                   | 5,150          |                   | 2,486                                |
| Allowance for doubtful accounts                                     | (1,596)        |                   | (11,306)       |                   | (9,709)                              |
| Total investments and others  | 246,389        | 42.3%             | 249,391        | 43.0%             | 3,001                                |
| Total fixed assets  | 399,104        | 68.5%             | 392,586        | 67.6%             | (6,518)                              |
| Total Assets  | 582,707        | 100.0%            | 580,547        | 100.0%            | (2,159)                              |

## Nonconsolidated 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 |                                      |
| <b>LIABILITIES:</b>                               |                |                   |                |                   |                                      |
| Current liabilities:                              |                |                   |                |                   |                                      |
| Accounts payable                                  | 2,121          |                   | 2,160          |                   | 39                                   |
| Bank loans  | 52,203         |                   | 34,263         |                   | (17,940)                             |
| Current portion of long-term loans                | 1,300          |                   | 1,400          |                   | 100                                  |
| Current portion of convertible bonds              | -              |                   | 18             |                   | 18                                   |
| Payables – others                                 | 9,605          |                   | 10,358         |                   | 752                                  |
| Payables – construction                           | 3,535          |                   | 4,666          |                   | 1,131                                |
| Income taxes payable                              | 6,806          |                   | 10,570         |                   | 3,764                                |
| Consumption taxes payable                         | 2,157          |                   | 2,232          |                   | 74                                   |
| Accrued expenses                                  | 576            |                   | 634            |                   | 58                                   |
| Deposits received                                 | 24,749         |                   | 33,958         |                   | 9,208                                |
| Deferred revenue - service charges                | 21,048         |                   | 21,247         |                   | 198                                  |
| Accrued bonus                                     | 4,920          |                   | 4,710          |                   | (209)                                |
| Other current liabilities                         | 1,679          |                   | 1,797          |                   | 117                                  |
| Total current liabilities                         | 130,706        | 22.4%             | 128,019        | 22.1%             | (2,686)                              |
| Fixed liabilities:                                |                |                   |                |                   |                                      |
| Straight bonds                                    | 30,000         |                   | 30,000         |                   | -                                    |
| Convertible bonds                                 | 18             |                   | -              |                   | (18)                                 |
| Long-term loans                                   | 3,700          |                   | 2,300          |                   | (1,400)                              |
| Guarantee deposits received from subscribers      | 16,721         |                   | 17,009         |                   | 287                                  |
| Accrued pension and severance costs               | 30,378         |                   | 5,356          |                   | (25,022)                             |
| Total fixed liabilities                           | 80,818         | 13.9%             | 54,665         | 9.4%              | (26,153)                             |
| Total liabilities                                 | 211,524        | 36.3%             | 182,684        | 31.5%             | (28,839)                             |
| <b>SHAREHOLDERS' EQUITY:</b>                      |                |                   |                |                   |                                      |
| Common stock                                      | 66,368         | 11.4%             | 66,368         | 11.4%             | -                                    |
| Capital surplus:                                  |                |                   |                |                   |                                      |
| Additional paid-in capital                        | 82,544         |                   | 82,544         |                   |                                      |
| Total capital surplus                             | 82,544         | 14.2%             | 82,544         | 14.2%             | -                                    |
| Earned surplus:                                   |                |                   |                |                   |                                      |
| Legal reserve                                     | 9,028          |                   | 9,028          |                   |                                      |
| Voluntary reserve:                                |                |                   |                |                   |                                      |
| Reserve for systems development                   | 800            |                   | 800            |                   |                                      |
| Reserve for tax deferral on assets replacement    | 27             |                   | 26             |                   |                                      |
| General reserve                                   | 2,212          |                   | 2,212          |                   |                                      |
| Unappropriated retained earnings                  | 254,364        |                   | 279,338        |                   |                                      |
| Total earned surplus                              | 266,431        | 45.7%             | 291,405        | 50.2%             | 24,974                               |
| Net unrealized gain in debt and equity securities | 124            | 0.0%              | 1,944          | 0.3%              | 1,819                                |
| Common stock in treasury, at cost                 | (44,287)       | (7.6%)            | (44,400)       | (7.6%)            | (113)                                |
| Total shareholders' equity                        | 371,182        | 63.7%             | 397,862        | 68.5%             | 26,680                               |
| Total liabilities and shareholders' equity        | 582,707        | 100.0%            | 580,547        | 100.0%            | (2,159)                              |

## Nonconsolidated Statements of Income

(in millions of yen)

|   | Year ended March 31, 2003 |         |              | Year ended March 31, 2004 |         |              | Amount change from the previous year |
|---|---------------------------|---------|--------------|---------------------------|---------|--------------|--------------------------------------|
|   | Amount                    |         | % of Revenue | Amount                    |         | % of Revenue |                                      |
| Revenues:   |                           |         |              |                           |         |              |                                      |
| Service charges   | 250,237                   |         |              | 256,883                   |         |              |                                      |
| Sales of merchandise  | 28,373                    | 278,610 | 100.0%       | 31,610                    | 288,493 | 100.0%       | 9,882                                |
| Costs and operating expenses:   |                           |         |              |                           |         |              |                                      |
| Cost of service charges   | 135,315                   |         |              | 136,144                   |         |              |                                      |
| Cost of sales of merchandise  | 20,184                    | 155,499 | 55.8%        | 22,873                    | 159,018 | 55.1%        | 3,518                                |
| Gross Profit  |                           | 123,111 | 44.2%        |                           | 129,475 | 44.9%        | 6,363                                |
| Selling, general and administrative expenses:   |                           |         |              |                           |         |              |                                      |
| Advertisement   | 2,909                     |         |              | 2,878                     |         |              |                                      |
| Salaries  | 22,326                    |         |              | 24,248                    |         |              |                                      |
| Bonuses   | 4,568                     |         |              | 3,431                     |         |              |                                      |
| Accrued bonus   | 1,982                     |         |              | 1,626                     |         |              |                                      |
| Accrued net pension and severance cost  | 3,280                     |         |              | 468                       |         |              |                                      |
| Welfare expenses  | 3,565                     |         |              | 3,534                     |         |              |                                      |
| Depreciation expenses   | 3,411                     |         |              | 3,582                     |         |              |                                      |
| Rent expenses   | 6,250                     |         |              | 5,866                     |         |              |                                      |
| Travel expenses   | 1,164                     |         |              | 1,139                     |         |              |                                      |
| Communication expenses  | 1,668                     |         |              | 1,691                     |         |              |                                      |
| Office supply expenses  | 915                       |         |              | 1,024                     |         |              |                                      |
| Taxes and public imposts  | 696                       |         |              | 515                       |         |              |                                      |
| Provision for allowance for doubtful accounts   | 34                        |         |              | 104                       |         |              |                                      |
| Commission expenses   | 4,776                     |         |              | 4,957                     |         |              |                                      |
| Research and development expenses   | 5,136                     |         |              | 4,072                     |         |              |                                      |
| Other expenses  | 6,255                     | 68,943  | 24.8%        | 6,099                     | 65,244  | 22.6%        | (3,699)                              |
| Operating profit  |                           | 54,167  | 19.4%        |                           | 64,231  | 22.3%        | 10,063                               |
| Non-operating income:   |                           |         |              |                           |         |              |                                      |
| Interest income   | 1,036                     |         |              | 1,090                     |         |              |                                      |
| Dividends income  | 2,764                     |         |              | 3,320                     |         |              |                                      |
| Other income  | 486                       | 4,288   | 1.5%         | 405                       | 4,817   | 1.6%         | 528                                  |
| Non-operating expenses:   |                           |         |              |                           |         |              |                                      |
| Interest expenses   | 334                       |         |              | 536                       |         |              |                                      |
| Interest expenses - convertible bonds   | 159                       |         |              | 159                       |         |              |                                      |
| Provision for allowance for doubtful accounts   | 898                       |         |              | 1,554                     |         |              |                                      |
| Loss on disposal of inventories   | 554                       |         |              | 823                       |         |              |                                      |
| Loss on disposal of fixed assets  | 1,248                     |         |              | 2,230                     |         |              |                                      |
| Loss from write-off of prepaid installation cost  | 655                       |         |              | 702                       |         |              |                                      |
| Other expenses  | 1,091                     | 4,942   | 1.7%         | 885                       | 6,892   | 2.4%         | 1,949                                |
| Ordinary profit   |                           | 53,513  | 19.2%        |                           | 62,156  | 21.5%        | 8,643                                |
| Extraordinary income:   |                           |         |              |                           |         |              |                                      |
| Recognition of prior service cost related to the substitutional portion of employees' pension funds | 5,958                     |         |              | -                         |         |              |                                      |
| Gain on return of the substitutional portion of employees' pension funds                            | -                         |         |              | 19,936                    |         |              |                                      |
| Gain on transition to defined contribution plan   | -                         |         |              | 1,923                     |         |              |                                      |
| Gain on sales of fixed assets   | -                         |         |              | 3,591                     |         |              |                                      |
| Gain on sales of investment securities  | 143                       |         |              | 7                         |         |              |                                      |
| Other   | 440                       | 6,543   | 2.3%         | 4                         | 25,462  | 8.8%         | 18,919                               |
| Extraordinary losses:   |                           |         |              |                           |         |              |                                      |
| Provision for allowance for doubtful accounts   | -                         |         |              | 9,673                     |         |              |                                      |
| Loss on impairment of fixed assets  | -                         |         |              | 7,250                     |         |              |                                      |
| Loss on other-than-temporary impairment of signal equipment and inventories                         | 2,896                     |         |              | -                         |         |              |                                      |
| Loss on disposal of software  | -                         |         |              | 1,905                     |         |              |                                      |
| Loss on revaluation of investment securities  | 1,600                     |         |              | 197                       |         |              |                                      |
| Loss on revaluation of subsidiaries' securities   | 2,868                     |         |              | 6,021                     |         |              |                                      |
| Loss on revaluation of investment in subsidiaries   | -                         |         |              | 3,329                     |         |              |                                      |
| Other   | 169                       | 7,535   | 2.6%         | 1,482                     | 29,860  | 10.3%        | 22,325                               |
| Income before income taxes  |                           | 52,521  | 18.9%        |                           | 57,758  | 20.0%        | 5,237                                |
| Income taxes - current  | 20,933                    |         |              | 21,205                    |         |              |                                      |
| Income taxes - deferred   | (802)                     | 21,736  | 7.9%         | 2,270                     | 23,475  | 8.1%         | 1,739                                |
| Net income  |                           | 30,784  | 11.0%        |                           | 34,282  | 11.9%        | 3,498                                |
| Unappropriated retained earnings at beginning of the period   |                           | 223,751 |              |                           | 245,210 |              | 21,458                               |
| Amortization of investment in subsidiary as the result of corporate merger                          |                           | 172     |              |                           | 154     |              | (17)                                 |
| Unappropriated retained earnings  |                           | 254,364 |              |                           | 279,338 |              | 24,974                               |

**Profit Appropriation**

(in millions of yen)

| Profit Appropriation             | Year ended<br>March 31, 2003 |         | Year ended<br>March 31, 2004 |         |
|----------------------------------|------------------------------|---------|------------------------------|---------|
|                                  |                              |         |                              |         |
| Unappropriated retained earnings |                              | 254,364 |                              | 279,338 |
| Reversal of voluntary reserve    | 0                            | 0       | 1                            | 1       |
| Subtotal                         |                              | 254,364 |                              | 279,340 |
| Profit Appropriation:            |                              |         |                              |         |
| Cash dividends                   | 9,003                        |         | 10,127                       |         |
| Directors' bonuses               | 151                          | 9,154   | 149                          | 10,277  |
| Appropriated retained earnings   |                              | 245,210 |                              | 269,062 |