

Nonconsolidated financial report - Six-month period ended September 30, 1999

November 11, 1999

Company name: Secom Co., Ltd.
 Code number: 9735 Tokyo Stock Exchange - First Section
 Osaka Stock Exchange - First Section
 Corporate Headquarters: 26-2, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo
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Date of Board of Directors' meeting on the nonconsolidated financial statements:

November 11, 1999

Interim dividends plan: None

1. Outlook for the nonconsolidated financial statements for the six-month period ended September 30, 1999 (April 1, 1999 ~ September 30, 1999)

(1) Operating results (in millions, except per share data)

	For the six-month period ended September 30		For the fiscal year ended March 31
	1999	1998	1999
Revenue (change from corresponding period the previous year)	¥118,323 (4.7%)	¥112,989 (3.4%)	¥231,505
Operating Income (change from corresponding period the previous year)	¥26,652 (4.0%)	¥25,621 (1.3%)	¥50,138
Ordinary Income (change from corresponding period the previous year)	¥28,283 (3.4%)	¥27,354 (2.8%)	¥50,515
Net Income (change from corresponding period the previous year)	¥16,641 (15.1%)	¥14,459 (11.2%)	¥26,077
Earnings per share	¥142.97	¥124.31	¥224.12

Note 1. Weighted average number of common shares outstanding;

For the six-month period ended September 30, 1999: 116,399,078 shares
 For the six-month period ended September 30, 1998: 116,318,716 shares
 For the year ended March 31, 1999: 116,354,393 shares

Note 2. Change in accounting policy: None

Note 3. Provision for income taxes for the six-month period ended September 30, 1998 includes enterprise taxes, as in 1999. The enterprise taxes for the six-month period ended September 30, 1998 was ¥2,686 million.

(2) Dividends

	For the six-month period ended September 30		For the fiscal year ended March 31
	1999	1998	1999
Interim Dividends per share	-	-	-
Annual Dividends per share	-	-	¥70.00

(3) Financial conditions

(in millions, except per share data)

	For the six-month period ended September 30		For the fiscal year ended March 31
	1999	1998	1999
Total assets	¥459,904	¥442,245	¥453,745
Shareholders' Equity	¥347,139	¥323,797	¥338,729
Shareholders' Equity/ Total assets	75.5%	73.2%	74.7%
Shareholders' Equity per share	¥2,982.05	¥2,782.07	¥2,910.24

Note 1. Number of common shares outstanding; (Face value: ¥50, a unit of shares: 1,000)

For the six-month period ended September 30, 1999: 116,409,647 shares

For the six-month period ended September 30, 1998: 116,387,269 shares

For the year ended March 31, 1999: 116,392,109 shares

Note 2. Unrealized gain on revaluation of securities: ¥120,438 million

Note 3. Unrealized gain/loss on revaluation of derivatives:

2. Forecasts for the nonconsolidated financial results for the fiscal year ended March 31, 2000.

(April 1, 1999 - March 31, 2000)

(in millions, except per share data)

	For the fiscal year ended March 31, 2000
Revenue	¥241,642
Ordinary Income	¥52,208
Net Income	¥30,548
Annual Dividends per share	¥35

Reference: Expected earnings per share ¥131.21

Note. Due to the stock split at November 19, 1999, the forecast data above is calculated upon the number of shares after the stock split, 232,819,294.

Management Policy

1. Basic policy of management

Secom's overall aim is to realize its vision of establishing the Social System Industry within the social infrastructure of a new society, using its security network to launch new services and systems.

2. Basic policy on the distribution of profits

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 for investments in promising new businesses with a view of further expanding our operations, and for intensive research and development to facilitate the extension of high-quality security systems, equipment and services.

On another note, Secom's Board of Directors approved a two-for-one stock split on November 19, 1999, to shareholders of record at the close of business on September 30, 1999.

3. Management strategies

In line with its core objective of providing peace of mind to people everywhere, Secom will continue to upgrade its existing products and services and apply its expertise to diversify into high-potential new business areas.

Operating results

1. Results and review

With few signs that recovery was in sight as a result of government fiscal policies and Bank of Japan monetary policies, the Japanese economy remained sluggish due to low capital investment and appreciation of the Japanese yen during the period. Under these circumstances, our nonconsolidated revenue was ¥118,323 million, ordinary income reached ¥28,283 million and net income amounted to ¥16,641 million for the six month period ended September 30, 1999. Meanwhile, we continued our advance on several business fronts, focusing on improving service quality, strengthening sales operations, developing new products and services, and increasing operation efficiency. Revenue from centralized systems was ¥88,844 million, and accounted for 75.1% of total revenue. Revenue from armored car services was ¥5,734 million, revenue from static guard services was ¥9,058 million, revenue from large-scale proprietary systems was ¥1,812 million, and revenue from other services was ¥2,871 million. Revenue from sales of merchandise totaled ¥10,003 million.

2. Outlook

For the next period, the Japanese economy is expected to recover as a result of government fiscal policies and BOJ monetary policies. However, it is still thought that it will be unstable due to anxiety such as appreciation in the yen and the severity of the situation with corporate management. We, under these conditions, will continue to focus on developing attractive isolated and packaged services, as well as enhancing our capabilities and improving efficiency in all our operations. We will also further expand our operations by pursuing promising new businesses in order to realize our Social System Industry vision.

Regarding our nonconsolidated operating results, we estimate that revenue will be ¥241,642 million, ordinary income will be ¥52,208 million, and net income will amount to ¥30,548 million.

(in thousands of yen)

Nonconsolidated balance sheets	September 30		March 31
	1999	1998	1999
Assets:			
Current assets:	157,366,995	165,226,445	167,804,223
Cash on hand and in banks	92,331,404	94,275,985	93,901,470
Notes receivable	371,894	497,204	458,559
Due from subscribers	5,801,108	5,241,357	5,564,389
Accounts receivable, trade	2,554,393	2,627,344	3,237,804
Receivables - other	1,056,894	893,505	1,242,818
Marketable securities	12,953,867	22,888,088	25,887,525
Merchandise	5,140,195	4,528,684	4,805,185
Supplies	992,701	1,298,697	948,419
Prepaid expenses	2,372,184	2,089,463	1,241,254
Short-term loans	31,769,456	29,516,277	29,036,464
Common stock in treasury	234,607	58,000	119,338
Other current assets	1,917,287	1,443,845	1,506,990
Allowance for doubtful accounts	129,000	132,000	146,000
Fixed assets:	302,537,715	277,019,529	285,941,119
Tangible assets:	128,989,752	127,608,944	128,102,080
Buildings and improvements	23,544,107	23,569,171	24,294,507
Automobiles	676,404	801,016	737,202
Signal equipment on subscribers' premises	44,559,037	40,964,156	44,243,862
Control station signal equipment	18,895,316	19,324,168	18,442,215
Machinery and equipment	2,743,675	1,415,973	1,508,584
Tools, furniture and fixtures	2,381,615	2,289,478	2,166,877
Land	34,887,118	34,617,276	34,996,742
Construction in progress	1,283,241	4,609,537	1,693,066
Other tangible assets	19,234	18,165	19,020
Intangible assets:	12,063,183	6,734,469	6,509,186
Telephone rights	1,712,598	1,365,283	1,602,335
Telephone and telegraph utility rights	1,477,949	2,378,876	1,975,579
Software	3,542,623	-	-
Other intangible assets	5,330,012	2,990,309	2,931,270
Investments and others:	161,484,780	142,676,115	151,329,853
Investment securities	34,453,004	26,549,964	32,684,942
Investment in subsidiaries	109,807,125	94,013,148	92,549,096
Long-term loans receivable	2,709,459	2,911,750	3,112,400
Lease deposits	6,828,214	6,796,997	6,889,583
Long-term prepaid expenses	1,439,685	8,231,207	9,436,971
Other investments	6,261,291	4,202,048	6,670,858
Allowance for doubtful accounts	14,000	29,000	14,000
Total assets	459,904,711	442,245,984	453,745,342

(in thousands of yen)

	September 30		March 31
	1999	1998	1999
Liabilities:			
Current liabilities:	95,838,637	101,630,582	98,127,187
Accounts payable	1,114,164	1,197,041	1,671,426
Bank loans	24,671,682	23,593,584	21,058,203
Current portion of long-term debt	4,871	4,000	4,871
Payables – others	5,699,814	8,029,262	6,707,375
Income taxes payable	12,579,517	11,393,310	13,771,293
Enterprise taxes payable	-	3,181,762	-
Consumption taxes payable	1,858,202	1,426,381	1,439,438
Accrued expenses	5,681,509	6,085,232	5,356,353
Deposits received	21,274,183	23,775,206	25,439,959
Deferred revenue - service charges	19,489,945	18,660,164	18,734,584
Payables – construction	2,876,849	3,624,971	3,173,078
Other current liabilities	587,895	659,664	770,603
Fixed liabilities:	16,926,229	16,817,860	16,889,124
Convertible bonds	1,254,000	1,372,871	1,347,000
Guarantee deposits received	14,797,589	14,231,151	14,606,773
Accrued severance indemnities	380,225	387,750	378,065
Other fixed liabilities	494,415	826,086	557,286
Total liabilities	112,764,866	118,448,443	115,016,312
Shareholders' equity:			
Common stock	65,756,409	65,697,447	65,709,927
Statutory reserve:	88,955,129	84,774,803	88,076,255
Capital reserve	81,828,169	78,480,243	81,781,695
Legal reserve	7,126,960	6,294,560	6,294,560
Voluntary reserve:	192,428,306	173,325,289	184,942,848
Reserve for systems development	800,000	800,000	800,000
Reserve for tax deferral on assets replacement	54,144	56,107	56,107
General reserve	2,212,000	2,212,000	2,212,000
Unappropriated retained earnings	189,362,162	170,257,181	181,874,740
Total shareholders' equity	347,139,844	323,797,541	338,729,030
Total liabilities and shareholders' equity	459,904,711	442,245,984	453,745,342

(in thousands of yen)

Nonconsolidated statements of income	For the six-month period ended September 30		For the fiscal year ended March 31
	1999	1998	1999
	Revenue:		
Service charges and sales of merchandise	118,323,964	112,989,236	231,505,215
Costs and operating expenses:			
Cost of service charges and sales of merchandise	61,764,897	58,814,427	123,180,687
Selling, general and administrative expenses	29,906,377	28,553,780	58,185,775
Operating income	26,652,690	25,621,028	50,138,751
Non-operating income:	3,283,858	3,865,539	5,198,117
Interest and dividends income	2,445,592	1,834,582	2,682,767
Other income	838,266	2,030,956	2,515,350
Non-operating expenses:	1,652,724	2,132,046	4,821,761
Interest expenses	9,603	7,253	18,010
Other expenses	1,643,121	2,124,793	4,803,750
Ordinary income	28,283,823	27,354,521	50,515,107
Extraordinary income:	-	-	12,072,805
Gain on sales of investment in subsidiaries' securities	-	-	12,072,805
Extraordinary losses:	159,066	-	12,167,426
Loss on liquidation of investment securities	159,066	-	-
Loss on revaluation of investment in subsidiaries	-	-	1,149,741
Loss on liquidation of investment in subsidiaries	-	-	9,720,813
Amortization of prior service pension costs	-	-	1,296,871
Income before income taxes	28,124,756	27,354,521	50,420,486
Provision for income taxes	11,483,678	12,894,649	24,343,056
Net income	16,641,078	14,459,871	26,077,430
Unappropriated retained earnings at beginning of the period	172,721,083	155,797,309	155,797,309
Unappropriated retained earnings	189,362,162	170,257,181	181,874,740

(in thousands of yen)

Composition of nonconsolidated revenue	For the six-month period ended September 30		For the fiscal year ended March 31
	1999	1998	1999
	Services:		
Centralized systems	88,844,004	85,830,538	173,204,225
(As a percent of revenue)	75.1%	76.0%	74.8%
Static guard services	9,058,266	8,880,347	17,861,975
	7.7%	7.8%	7.7%
Armored car services	5,734,585	5,632,253	11,283,965
	4.8%	5.0%	4.9%
Large-scale proprietary systems	1,812,229	562,173	2,382,685
	1.5%	0.5%	1.0%
Others	2,871,682	2,619,500	5,506,739
	2.4%	2.3%	2.4%
Subtotal	108,320,769	103,524,814	210,239,592
	91.5%	91.6%	90.8%
Sales of merchandise:			
Sales of security equipment	6,354,098	6,088,221	13,364,518
	5.4%	5.4%	5.8%
Sales of alarm equipment	3,649,096	3,376,200	7,901,104
	3.1%	3.0%	3.4%
Subtotal	10,003,195	9,464,422	21,265,623
	8.5%	8.4%	9.2%
Total	118,323,964	112,989,236	231,505,215
	100.0%	100.0%	100.0%