



**Semiannual Report
2004**

**For the Six Months
Ended September 30, 2004**

PROFILE

Established in 1962 as Japan's first security services company, SECOM CO., LTD., has earned a reputation as a pioneer in the market by developing innovative products and services that truly benefit society. The Company's achievements to date have supported solid growth as a provider of security and peace of mind.

In 1989, SECOM introduced its vision for the future—the Social System Industry, a new framework of services created by integrating its products and services into distinctive, comprehensive packages that make life more secure, convenient and comfortable. To achieve this vision, SECOM has expanded its focus beyond security services to include medical, insurance, information and geographic information system (GIS) services. From this foundation, SECOM is now aiming to take the Social System Industry to the next level, the focus of which will be to maximize synergies among its diverse businesses and develop groundbreaking new products and services, thereby positioning the Company for further growth.

SECOM has also established an extensive network of security services subsidiaries and joint ventures overseas. This network currently encompasses companies in Taiwan, the Republic of Korea, Thailand, Malaysia, Singapore, Indonesia, the People's Republic of China, the United States, the United Kingdom and Australia.

Note:

Comparisons of operating results in this semiannual report are between the six months ended September 30, 2004, and the six months ended September 30, 2003.

NONCONSOLIDATED FINANCIAL HIGHLIGHTS

SECOM CO., LTD.

Six months ended September 30, 2004, 2003 and 2002

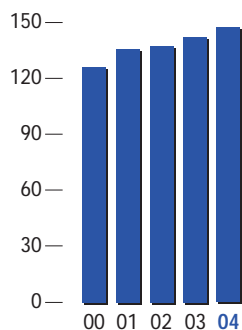
	In millions of yen			In thousands of U.S. dollars
	2004	2003	2002	2004
Revenue	¥146,753	¥141,964	¥137,436	\$1,322,099
Operating profit	33,264	32,449	29,162	299,675
Income before income taxes	33,866	32,180	29,671	305,099
Net income	21,066	19,692	17,713	189,783
Net income per share (yen and U.S. dollars)	¥ 93.61	¥ 87.49	¥ 76.82	\$ 0.84

Notes: 1. Net income per share figures are in exact yen and U.S. dollars.

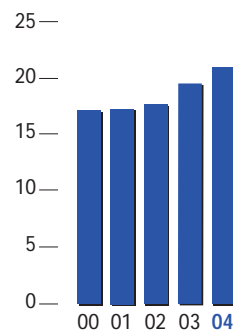
2. All dollar figures herein refer to U.S. currency. Yen amounts have been translated, solely for the convenience of the reader, at the rate of ¥111=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2004.

3. Net income per share amounts are based on the average number of shares outstanding during each period.

Nonconsolidated Revenue
(In billions of yen)



Nonconsolidated Net Income
(In billions of yen)



TO OUR SHAREHOLDERS

Operating Results

Steady private-sector capital investment, supported by a recovery in corporate profits, and an improved employment situation seem to indicate that Japan's economy is on the road to recovery. However, pressure on household budgets continues to hamper consumer spending and exports have failed to gather strength, encouraging a generally cautious outlook.

In the six months ended September 30, 2004, we forged ahead with measures to take the Social System Industry to the next level. We focused on broadening sales approaches by expanding sales channels and revamping our customer service organization to meet an increasingly diverse range of needs. We also concentrated on enhancing existing services while developing and offering new products and services, capitalizing on synergies among our various businesses to create innovative packages. These measures contributed to nonconsolidated revenue of ¥146.8 billion, an increase of 3.4%. Operating profit rose 2.5%, to ¥33.3 billion. Net income climbed 7.0%, to ¥21.1 billion. Net income per share was ¥93.61, up from ¥87.49.

Electronic Security Services

The electronic security services category, which comprises the provision of commercial and home security services and large-scale proprietary systems, generated revenue of ¥107.7 billion. This represented an increase of 2.0% from the six months ended September 30, 2003, and was equivalent to 73.4% of nonconsolidated revenue. Revenue from commercial security and home security services accounted for ¥106.0 billion of this total, an increase of 2.1%.

Other Security Services

Revenue from other security services advanced 2.3%, to ¥22.3 billion, and represented 15.2% of nonconsolidated revenue. Revenue from static guard services advanced 3.6%, to ¥9.4 billion, while revenue from armored car services declined 2.9%, to ¥7.6 billion.

Sales of Merchandise

Security-related merchandise includes closed-circuit television (CCTV) surveillance cameras, access-control systems, fire detection and extinguishing systems, and external and internal monitoring systems. In the period under review, revenue from sales of merchandise rose 15.2%, to ¥16.7 billion, or 11.4% of nonconsolidated revenue.

Business Developments

The vision of the SECOM Group is to help build a society that is free from concerns about safety and security, through the Social System Industry. The foundation of the Social System Industry is the network we have created to deliver our security services. To this network we are adding layers of services and systems that make life more secure, convenient and comfortable by capitalizing on synergies among our various businesses. This approach enables us to respond to a wide range of safety and security needs with comprehensive product and service packages.

In the area of security services, we continued to market a wide range of on-line security systems, which form the core of this business. For commercial users, we offer centralized systems that make use of our advanced image monitoring technologies. These include SECOM AX, which employs image monitoring sensors, and an enhanced version of SECOM DX with DX Monitor, which incorporates an image monitoring function. To meet the needs of customers for enhanced security and convenience, we introduced SECOM ID Card Service, which uses our Secure Data Center to manage confidential customer information for a wide range of noncontact integrated circuit (IC) cards supplied by SECOM and leading domestic card manufacturers.

In the home security area, we continued to make progress in our drive to evolve SECOM Home Security into a comprehensive residential system that provides peace of mind. We sought to bolster sales of core on-line security system SECOM Home Security, as well as to promote broader acceptance of COCO-SECOM mobile security systems. We also took a number of steps aimed at thwarting increasingly bold criminal behavior, including enhancing the performance of External Image Monitoring Service, which monitors residential properties for intruders and, when required, provides alarm and emergency personnel dispatch services and alerts the authorities. External Image Monitoring Service is an excellent example of the successful application of our commercial security expertise in the home security field.

Turning to the businesses of SECOM Group companies in the medical services field, we strove to expand home medical care services. Building on our accumulated know-how in home nursing and home personal care services, in May 2004 we entered the market for adult day services, opening the SECOM Senior Club Tama Plaza, an adult day

service facility for senior citizens in Yokohama. We enhanced SECOM Medical Club, a new membership-based service for home security subscribers that offers access to the latest preventive treatments and health care-related services. New offerings include SECOM AED Package Service, an emergency lifesaving kit featuring an automated external defibrillator (AED). This timely offering takes advantage of the recent revision of existing laws that previously limited the use of AEDs to medical professionals.

In insurance services, we focused on expanding sales of core products that reflect our successful efforts to capitalize on synergies with such businesses as security and medical services. These products include New SECOM *Anshin My Car*, a comprehensive automobile insurance policy; Security Discount Fire Policy, for commercial users of security systems; SECOM *Anshin My Home*, for residential security system subscribers; and MEDCOM, an innovative, unrestricted cancer treatment policy. In October 2004, we signed an agreement with a leading Japanese life insurer with the aim of expanding marketing channels for MEDCOM.

We also reported a number of key developments in other areas, namely cyber security and other information-related services, GIS services, real estate sales and real estate leasing. We enhanced our information services lineup by augmenting our Secure Data Center's services with key activation report services and procedural services designed to help prevent leaks of customer and insider information. In October 2004, we launched Secom Safety Confirmation Service, which helps commercial subscribers confirm the whereabouts and safety of employees and their families in the event of a major disaster by providing prompt, accurate information, thereby enabling them to reopen for business as soon as possible. This service capitalizes on our extensive expertise in disaster management and information network construction and management. In GIS services, we strove to attract new orders by focusing on sales that involve extending technological capabilities to customers, reinforcing our lineup of products for private-sector users and developing digital data compression technologies. In the area of real estate sales, we continued to develop and sell secure condominiums under the Glorio brand name. These attractive condominiums feature Glorio 24 condominium management services, which include security systems, management services and telephone-based home-related and consulting services.

Strategic Directions

The SECOM Group has expanded its operations by entering various business areas—including security, medical, insurance, information and GIS services and real estate development, sales and leasing—with the aim of contributing to the realization of a society in which all people can enjoy security, convenience and peace of mind. Our growth has been driven by our basic philosophy, which emphasizes breaking stereotypes and continually nurturing radical new business ideas in an effort to offer products and services that are truly beneficial to society.

We will continue to grow by focusing on core strategies. In particular, we will endeavor to maximize synergies among existing businesses and services to develop integrated packages that respond to ever-changing customer needs and promote the development of highly innovative products and services, thereby ensuring we remain a true pioneer. Effective April 1, 2005, Kanemasa Haraguchi will replace Shohei Kimura as president of SECOM. Mr. Kimura will assume the post of chairman.

We look forward to your continued support as we strive to realize our vision of contributing to a society in which people enjoy security, convenience and peace of mind.

January 2005



Makoto Iida
Founder



Toshitaka Sugimachi
Chairman



Shohei Kimura
President and Representative Director

NONCONSOLIDATED BALANCE SHEETS

SECOM CO., LTD.
September 30, 2004 and 2003

ASSETS	In millions of yen		In thousands of U.S. dollars
	2004	2003	2004
Current assets:			
Cash on hand and in banks	¥103,828	¥106,281	\$ 935,387
Notes receivable	232	279	2,090
Due from subscribers	8,593	8,475	77,414
Accounts receivable, trade	5,146	4,341	46,360
Short-term investments	451	7,951	4,063
Inventories	8,241	7,614	74,243
Short-term loans to subsidiaries and affiliated companies	27,307	34,501	246,009
Other current assets	36,449	30,599	328,369
Allowance for doubtful accounts	(4,870)	(4,315)	(43,873)
Total current assets	185,381	195,728	1,670,099
Fixed assets:			
Tangible assets:			
Buildings and improvements	25,257	27,848	227,540
Security equipment and control stations	61,933	61,758	557,954
Land	36,053	42,098	324,801
Other	9,006	7,658	81,135
Intangible assets:			
Telephone and telegraph utility rights	182	231	1,639
Software	8,071	9,220	72,711
Other	2,438	2,948	21,963
Investments and other:			
Investment securities	24,022	22,915	216,414
Investments in subsidiaries and affiliated companies	158,458	160,308	1,427,549
Other investments	77,069	65,343	694,315
Allowance for doubtful accounts	(11,496)	(1,809)	(103,567)
Total fixed assets	390,998	398,521	3,522,504
Total assets	¥576,379	¥594,250	\$5,192,603

LIABILITIES	In millions of yen		In thousands of U.S. dollars
	2004	2003	2004
Current liabilities:			
Accounts payable	¥ 2,399	¥ 1,432	\$ 21,612
Bank loans	30,409	50,455	273,954
Current portion of straight and convertible bonds	14	—	126
Payables—other	8,797	8,611	79,252
Accrued expenses	508	586	4,576
Deferred revenue—service charges	21,764	21,914	196,072
Accrued income taxes	12,897	12,441	116,189
Accrued bonus	4,984	4,817	44,900
Other current liabilities	33,937	34,772	305,738
Total current liabilities	115,712	135,032	1,042,450
Fixed liabilities:			
Straight and convertible bonds	30,000	30,018	270,270
Long-term loans	—	2,300	—
Guarantee deposits received	16,957	16,846	152,765
Accrued pension and severance costs	4,825	27,163	43,468
Total fixed liabilities	51,783	76,327	466,513
Total liabilities	167,495	211,359	1,508,963
SHAREHOLDERS' EQUITY			
Common stock	66,370	66,368	597,927
Capital surplus:			
Additional paid-in capital	82,546	82,544	743,657
Retained earnings:			
Legal reserve	9,028	9,028	81,333
Voluntary reserve	3,037	3,038	27,360
Unappropriated retained earnings	290,129	264,902	2,613,774
Unrealized gains on securities	2,236	1,343	20,144
Common stock in treasury, at cost	(44,465)	(44,335)	(400,585)
Total shareholders' equity	408,884	382,890	3,683,639
Total liabilities and shareholders' equity	¥576,379	¥594,250	\$5,192,603

NONCONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD.

Six months ended September 30, 2004 and 2003

	In millions of yen		In thousands of U.S. dollars
	2004	2003	2004
Revenue	¥146,753	¥141,964	\$1,322,099
Costs	79,855	76,853	719,414
Selling, general and administrative expenses	33,632	32,661	302,990
Operating profit	33,264	32,449	299,675
Other income—net	1,259	137	11,342
Ordinary profit	34,524	32,586	311,027
Extraordinary profit	155	2,063	1,396
Extraordinary loss	812	2,470	7,315
Income before income taxes	33,866	32,180	305,099
Income taxes—current	12,489	12,447	112,513
Income taxes—deferred	310	40	2,792
Net income	¥ 21,066	¥ 19,692	\$ 189,783
Net income per share (yen and U.S. dollars)	¥ 93.61	¥ 87.49	\$ 0.84
Average number of shares outstanding (thousands)	225,046	225,074	

COMPOSITION OF NONCONSOLIDATED REVENUE

SECOM CO., LTD.

Six months ended September 30, 2004 and 2003

	In millions of yen		In thousands of U.S. dollars
	2004	2003	2004
Electronic security services:			
Commercial security and home security	¥106,045	¥103,912	\$ 955,360
Large-scale proprietary systems	1,679	1,734	15,126
Subtotal	107,725	105,646	970,495
Other security services:			
Static guard services	9,376	9,047	84,468
Armored car services	7,637	7,867	68,801
Other	5,281	4,877	47,576
Subtotal	22,295	21,792	200,855
Total service charges	130,020	127,439	1,171,351
Sales of merchandise	16,732	14,524	150,738
Revenue	¥146,753	¥141,964	\$1,322,099

NOTES TO NONCONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD.

1. Basis of Financial Statements

The accompanying nonconsolidated financial statements have been prepared in conformity with accounting practices ordinarily followed in connection with interim financial statements and translated from the financial statements that are prepared in Japanese and filed with the Prime Minister of Japan and the Tokyo Stock Exchange. Certain modifications as to the presentation of the accompanying financial statements were made to facilitate understanding by non-Japanese readers.

2. U.S. Dollar Amounts

U.S. dollar amounts are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥111=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2004.

DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

Directors

Founder:

Makoto Iida

Co-Founder:

Juichi Toda

Chairman:

Toshitaka Sugimachi

Representative Director:

Shohei Kimura

Directors:

Kanemasa Haraguchi

Nobuyuki Sasaki

Katsuhisa Kuwahara

Shuji Maeda

Katsuo Akiyama

Yoichi Tao

Fumio Obata

Corporate Auditors

Teruo Ogino

Ken Tsunematsu

Hiroshi Yasuda

Kohei Yamashita

Executive Officers

President:

Shohei Kimura

Executive Vice President:

Kanemasa Haraguchi

Senior Managing Executive Officers:

Nobuyuki Sasaki

Shigemi Tanaka

Managing Executive Officers:

Katsuhisa Kuwahara

Seiichiro Kobayashi

Shoichi Kake

Shuji Maeda

Katsuo Akiyama

Executive Officers:

Yoichi Tao

Seiichi Mori

Seiji Yamanaka

Shinobu Iida

Yushiro Ito

Fumio Obata

Hiroshi Ito

Shunji Ogahara

Masaaki Saida

Kiyomasa Sugii

Koichi Sato

Minoru Takaoka

Yoshihiro Chino

Mamoru Sasaki

Akira Tsutsumi

Tomoo Toya



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