



SECOM



## SEMIANNUAL REPORT 2010

For the Six-month Period Ended September 30, 2010

# PROFILE

Since its establishment in 1962, SECOM CO., LTD., a pioneer in Japan's security services market, has endeavored to contribute to society through its business activities, an approach that has allowed it to respond swiftly to society's evolving needs for security and peace of mind, as well as to achieve solid growth. Beginning with the development in 1966 of Japan's first on-line security service, SECOM has sought consistently to create security services that meet changing security needs and at the same time to gain broader acceptance of the concept of security services.

SECOM's overarching mission is encapsulated in its corporate message, "Providing peace of mind." To this end, SECOM—comprising the parent company and the companies of the SECOM Group—continues working to realize its vision for the future, the Social System Industry. This vision describes a framework of distinctive, integrated products and services that make life more secure, convenient and comfortable. In addition to its core security services, SECOM's business portfolio today includes fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services, which SECOM combines into exclusive, tailored packages that enable it to provide safety and security to people whenever and wherever necessary. Through such efforts, SECOM continues to achieve steady growth.

SECOM has also expanded into overseas markets, establishing a network of subsidiaries and affiliates in Taiwan, the Republic of Korea (ROK), the People's Republic of China (PRC), Thailand, Malaysia, Singapore, Indonesia, Vietnam, the United Kingdom, Australia and the United States.

*Notes: 1. Comparisons of operating results in this semiannual report are between the six-month periods ended September 30, 2010 and 2009.*

*2. SECOM's semiannual report presents information on its consolidated operating results, calculated in accordance with accounting principles generally accepted in Japan (Japanese GAAP).*

# CONSOLIDATED FINANCIAL HIGHLIGHTS

SECOM CO., LTD. and Subsidiaries  
Six-month periods ended September 30, 2010, 2009 and 2008

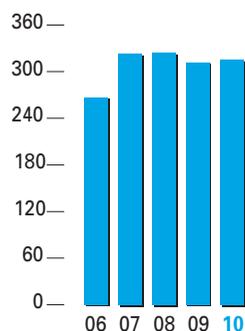
	In millions of yen			In thousands of U.S. dollars
	2010	2009	2008	2010
Revenue .....	<b>¥315,499</b>	¥312,765	¥324,219	<b>\$3,755,940</b>
Operating profit .....	<b>47,916</b>	48,940	39,387	<b>570,428</b>
Ordinary profit .....	<b>51,316</b>	48,284	41,621	<b>610,904</b>
Net income .....	<b>28,712</b>	26,150	12,957	<b>341,809</b>
Net income per share (yen and U.S. dollars) .....	<b>¥ 131.69</b>	¥ 119.94	¥ 57.60	<b>\$ 1.56</b>

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

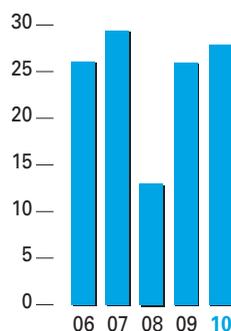
2. All dollar figures herein refer to U.S. currency. Yen amounts have been translated, solely for the convenience of the reader, at the rate of ¥84=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2010.

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

**Consolidated Revenue**  
(In billions of yen)



**Consolidated Net Income**  
(In billions of yen)



# TO OUR SHAREHOLDERS

## Operating Results

In the six-month period ended September 30, 2010, economic conditions in Japan appeared to rally, bolstered by emergency stimulus measures, among others. Nevertheless, the risk of another slump intensified, owing to such factors as persistently high unemployment levels, fears of a downturn in key overseas economies, fluctuations in currency rates and share prices, and deflationary pressure.

In this environment, we responded to the increasingly varied needs of customers for security and peace of mind by offering distinctive products and services in our mainstay security services business, as well as in our fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services businesses. Through such efforts, we continued working to achieve our Social System Industry vision—which depicts a framework of distinctive, integrated products and services that make life more secure, convenient and comfortable—and in so doing to fulfill our overarching mission, which is to provide safety and security for people whenever and wherever necessary.

Calculated according to accounting principles generally accepted in Japan (Japanese GAAP), consolidated revenue in the period under review was up 0.9%, to ¥315.4 billion. In contrast, operating profit slipped 2.1%, to ¥47.9 billion. Ordinary profit advanced 6.3%, to ¥51.3 billion, reflecting a ¥1.2 billion increase in non-operating income and a ¥2.8 billion decrease in non-operating expenses. Net income rose 9.8%, to ¥28.7 billion.

## Segment Results

### Security Services

The security services segment comprises electronic security services, other security services and sales of merchandise. Electronic security services consists of on-line commercial and home security systems (centralized security systems) and large-scale proprietary security systems. Other security services features static guard and armored car services. Merchandise includes closed-circuit television (CCTV) surveillance systems, access-control systems and external monitoring systems. We offer security services in Japan and, through a network of subsidiaries and affiliates, in several overseas markets.

In the period under review, revenue in the security services segment edged up 0.2%, to ¥205.1 billion. Owing to an increase in systems development costs related to, among others, broadband communications, operating profit declined 1.4%, to ¥49.4 billion. Operational highlights included the launch of several innovative products. The Intelligent Emergency Alert System, released in September 2010, automatically detects abnormal or suspicious situations and alerts a SECOM control center without the need for anyone to push a button. The same month we

introduced a new external sensor that uses a laser beam, facilitating the detection of intrusions over a wide area and ensuring effective monitoring even at sites where physical impediments would hamper the performance of conventional sensors. These new products—some of which were initially showcased at the SECOM Technical Fair, a three-day event held in Tokyo in April 2010—assisted efforts by our salespeople to market upgrades to existing subscribers, many of whom recognized the benefits of increasing their level of security.

### Fire Protection Services

The fire protection services segment consists of automatic fire alarm systems, fire extinguishing systems and other fire protection systems for a wide range of applications, including office buildings, plants, tunnels, cultural properties, ships and residences. The absence of revenue from the replacement of fire protection equipment in large-scale facilities, a key contributor in the six months ended September 30, 2009, led to a 6.1% decline in segment revenue to ¥30.7 billion, and an operating loss of ¥194 million, compared with operating profit of ¥976 million.

### Medical Services

This segment includes home medical services, comprising pharmaceutical dispensing and delivery services and home nursing services, as well as remote image diagnosis support services, electronic medical report systems, sales of medical equipment, the operation of residences for seniors, personal care services, the leasing of real estate for medical institutions, and a variety of other businesses. Owing to firm revenue from home medical services and solid sales of medical equipment, segment revenue rose 8.2%, to ¥19.7 billion, and operating profit advanced 8.5%, to ¥1.2 billion.

### Insurance Services

In addition to security services, which are preventative by nature, we offer non-life insurance, which looks after customers in the event of misfortune. Our lineup includes fire insurance policies for commercial premises and homes, comprehensive automobile insurance and MEDCOM, an unrestricted cancer treatment policy. Segment revenue increased 5.1%, to ¥16.4 billion, reflecting firm sales of MEDCOM. In contrast, operating profit fell 38.8%, to ¥660 million, owing to an increase in the reserve for natural disasters, compared with a reversal of the same reserve in the six months ended September 30, 2009.

### Geographic Information Services

Subsidiary Pasco Corporation, a leader in the field of geospatial information services, collects satellite and aerial data both in Japan and overseas, which it processes and combines with other crucial information to meet customer requirements. In the period under review, segment revenue rose 8.2%, to ¥18.2 billion, reflecting steady progress on work for national and local

government agencies. Because public-sector orders, the primary source of revenue for Pasco, tend to be concentrated toward the end of the fiscal year, operating profit follows a similar trend. Owing to stringent process management and cost-cutting efforts, operating profit amounted to ¥901 million, up from an operating loss of ¥426 million in the corresponding period of the previous fiscal year.

### **Real Estate Development and Sales**

This segment centers on the development and sales of condominiums that are equipped with advanced security systems and contingency planning features. In the period under review, segment revenue climbed 49.6%, to ¥8.4 billion. However, owing to efforts to reduce real estate inventories, ongoing since the fiscal year ended March 31, 2010, the operating loss worsened slightly, to ¥491 million.

### **Information and Communication Related and Other Services**

This segment consists primarily of information and communication related services—including information security systems and network systems operations services, which assist customers to formulate effective business continuity plans—and real estate leasing. In the period under review, segment revenue declined 11.0%, to ¥16.7 billion, owing primarily to the divestiture in August 2009 of Japan Image Communications Co., Ltd.—which contributed ¥1.9 billion to segment revenue in the six months ended September 30, 2009—and operating profit fell 32.7%, to ¥1.7 billion.

### **Looking Ahead**

We continue pursuing a variety of initiatives aimed at realizing our vision, the Social System Industry, a framework of distinctive, integrated products and services offered both individually and combined into tailored, integrated packages.

In our mainstay security services segment, we aim to remain abreast of evolving social imperatives and to rally our technological strengths with the aim of accelerating the development of advanced products and services. We are working to offer improved security to existing subscribers, as well as to cultivate new customers, by ensuring the timely launch of new systems. For commercial security services customers, we are developing new, more efficient and more environment-friendly on-line security systems that help reduce costs and enhance operational efficiency. For home security services customers, we are strengthening our lineup of products and services. We are also leveraging our advantage as Japan's leading security services provider to reinforce SECOM Home Service, which encompasses a variety of lifestyle support services. Overseas, we are capitalizing on our accumulated expertise to reinforce security services in key growth markets, with a special emphasis on

the PRC. To this end, we reorganized our rapidly expanding overseas operations, which were previously divided by region, creating an International Business Headquarters in Japan to centralize administration. This new configuration will enable us to ensure a consistently high level of quality worldwide.

In other businesses, we are striving to maximize our unique capabilities, as well as to promote greater cooperation across business lines. Such efforts are crucial to the provision of distinctively SECOM products and services and thus to the realization of our Social System Industry vision.

As always, we are guided by our original corporate philosophy, which emphasizes challenging accepted norms to create innovative and better-suited solutions, and by our corporate message, "Providing peace of mind." We pledge to work as one to contribute to society through our business activities—our ultimate objective as a corporate entity—and to ensure our customers feel confident relying on SECOM.

Recognizing the fair return to shareholders as an important task, we determine consolidated dividend payout levels based on an overall assessment of trends in our operating performance, in line with our policy of ensuring a consistent, stable distribution of profits. For the fiscal year ending March 31, 2011, we forecast annual cash dividends of ¥90.00 per share, up from ¥85.00 per share in the fiscal year ended March 31, 2010.

In all of our endeavors, we look forward to the ongoing support of our shareholders.

December 2010



Makoto Iida  
Founder



Shohei Kimura  
Chairman



Kanemasa Haraguchi  
Executive Vice Chairman



Shuji Maeda  
President and Representative Director

# CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries  
September 30, 2010 and 2009

ASSETS	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
<b>Current assets:</b>			
Cash on hand and in banks .....	¥ 162,642	¥ 129,619	\$ 1,936,214
Cash deposits for armored car services .....	47,252	51,643	562,523
Call loans .....	37,500	27,000	446,428
Notes and accounts receivable, trade .....	52,825	50,790	628,869
Due from subscribers .....	21,937	19,751	261,154
Short-term investments .....	7,669	28,004	91,297
Lease receivables and investment in leased assets .....	14,729	14,722	175,345
Merchandise and products .....	11,895	11,752	141,607
Real estate inventories .....	11,653	7,473	138,726
Work in process .....	2,223	2,109	26,464
Costs on uncompleted construction contracts .....	6,769	10,462	80,583
Work in process for real estate inventories .....	56,137	60,552	668,297
Raw materials and supplies .....	5,873	6,317	69,916
Deferred income taxes .....	11,542	11,989	137,404
Short-term loans receivable .....	2,319	2,200	27,607
Other .....	13,179	15,444	156,892
Allowance for doubtful accounts .....	(2,077)	(2,195)	(24,726)
Total current assets .....	464,072	447,637	5,524,666
<b>Fixed assets:</b>			
Tangible assets:			
Buildings and improvements .....	103,169	100,852	1,228,202
Security equipment and control stations .....	64,366	66,563	766,261
Land .....	93,670	92,143	1,115,119
Other .....	18,242	18,762	217,166
Intangible assets .....	20,831	23,078	247,988
Investments and others:			
Investment securities .....	173,697	204,745	2,067,821
Long-term loans receivable .....	50,057	52,094	595,916
Prepaid pension and severance costs .....	18,504	18,719	220,285
Deferred income taxes .....	21,020	21,566	250,238
Other .....	43,416	45,470	516,857
Allowance for doubtful accounts .....	(18,358)	(19,773)	(218,547)
Total fixed assets .....	588,619	624,223	7,007,369
Deferred assets .....	173	282	2,059
<b>Total assets .....</b>	<b>¥1,052,866</b>	<b>¥1,072,143</b>	<b>\$12,534,119</b>

LIABILITIES	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
<b>Current liabilities:</b>			
Notes and accounts payable, trade	¥ 23,493	¥ 22,272	\$ 279,678
Bank loans	36,008	51,104	428,666
Current portion of straight bonds	1,501	4,901	17,869
Lease obligations	341	184	4,059
Payables—other	19,389	22,069	230,821
Accrued income taxes	18,298	20,228	217,833
Accrued consumption taxes	2,694	2,546	32,071
Accrued expenses	3,421	3,298	40,726
Deferred revenue	32,749	33,680	389,869
Accrued bonuses	12,355	12,385	147,083
Reserve for litigation losses	—	2,475	—
Provision for loss on construction contracts	340	141	4,047
Other	37,926	41,825	451,500
Total current liabilities	188,521	217,114	2,244,297
<b>Long-term liabilities:</b>			
Straight bonds	16,310	11,929	194,166
Long-term loans	16,718	15,152	199,023
Lease obligations	2,694	618	32,071
Guarantee deposits received	37,070	35,562	441,309
Deferred income taxes	8,535	4,940	101,607
Accrued pension and severance costs	13,013	13,602	154,916
Accrued retirement benefits for directors and corporate auditors	2,327	2,270	27,702
Investment deposits by policyholders, unearned premiums and other insurance liabilities	137,030	166,974	1,631,309
Other	1,588	1,360	18,904
Total long-term liabilities	235,288	252,409	2,801,047
Total liabilities	423,810	469,524	5,045,357
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock	66,377	66,377	790,202
Capital surplus	83,054	83,054	988,738
Retained earnings	517,613	485,973	6,162,059
Common stock in treasury, at cost	(74,912)	(74,902)	(891,809)
Total shareholders' equity	592,132	560,502	7,049,190
<b>Valuation, translation adjustments and others:</b>			
Unrealized gains (losses) on securities	1,836	4,222	21,857
Deferred gains (losses) on hedges	(11)	(21)	(130)
Foreign currency translation adjustments	(31,375)	(26,480)	(373,511)
Total valuation, translation adjustments and others	(29,549)	(22,280)	(351,773)
<b>Minority interests in subsidiaries</b>			
Total net assets	629,056	602,619	7,488,761
<b>Total liabilities and net assets</b>	<b>¥1,052,866</b>	<b>¥1,072,143</b>	<b>\$12,534,119</b>

# CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries

Six-month periods ended September 30, 2010 and 2009

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Revenue .....	<b>¥315,499</b>	¥312,765	<b>\$3,755,940</b>
Costs of revenue .....	<b>197,741</b>	193,525	<b>2,354,059</b>
Gross profit .....	<b>117,757</b>	119,240	<b>1,401,869</b>
Selling, general and administrative expenses .....	<b>69,841</b>	70,300	<b>831,440</b>
Operating profit .....	<b>47,916</b>	48,940	<b>570,428</b>
Non-operating income .....	<b>6,607</b>	5,401	<b>78,654</b>
Non-operating expenses .....	<b>3,208</b>	6,057	<b>38,190</b>
Ordinary profit .....	<b>51,316</b>	48,284	<b>610,904</b>
Extraordinary profit .....	<b>1,268</b>	861	<b>15,095</b>
Extraordinary losses .....	<b>3,289</b>	1,226	<b>39,154</b>
Income before income taxes .....	<b>49,295</b>	47,919	<b>586,845</b>
Income taxes—current .....	<b>18,124</b>	20,160	<b>215,761</b>
Income taxes—deferred .....	<b>873</b>	(426)	<b>10,392</b>
Minority interests in subsidiaries .....	<b>1,585</b>	2,034	<b>18,869</b>
Net income .....	<b>¥ 28,712</b>	¥ 26,150	<b>\$ 341,809</b>

## BUSINESS SEGMENT INFORMATION

SECOM CO., LTD. and Subsidiaries  
Six-month periods ended September 30, 2010 and 2009

In thousands  
of U.S. dollars

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
<b>Revenue:</b>			
Security services			
Customers .....	¥205,125	¥204,786	\$2,441,964
Intersegment .....	4,451	4,446	52,988
	<b>209,577</b>	209,233	<b>2,494,964</b>
Fire protection services			
Customers .....	30,709	32,719	365,583
Intersegment .....	2,791	1,871	33,226
	<b>33,501</b>	34,591	<b>398,821</b>
Medical services			
Customers .....	19,760	18,258	235,238
Intersegment .....	60	61	714
	<b>19,821</b>	18,319	<b>235,964</b>
Insurance services			
Customers .....	16,493	15,691	196,345
Intersegment .....	1,337	1,454	15,916
	<b>17,831</b>	17,146	<b>212,273</b>
Geographic information services			
Customers .....	18,263	16,886	217,416
Intersegment .....	65	59	773
	<b>18,328</b>	16,946	<b>218,190</b>
Real estate development and sales			
Customers .....	8,406	5,619	100,071
Intersegment .....	—	—	—
	<b>8,406</b>	5,619	<b>100,071</b>
Information and communication related and other services			
Customers .....	16,739	18,803	199,273
Intersegment .....	2,771	3,802	32,988
	<b>19,510</b>	22,605	<b>232,261</b>
Total .....	<b>326,977</b>	324,461	<b>3,892,583</b>
Adjustment .....	<b>(11,478)</b>	(11,695)	<b>(136,642)</b>
<b>Consolidated revenue</b> .....	<b>¥315,499</b>	¥312,765	<b>\$3,755,940</b>

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
<b>Operating profit (loss):</b>			
Security services .....	¥49,420	¥50,121	\$588,333
Fire protection services .....	(194)	976	(2,309)
Medical services .....	1,223	1,127	14,559
Insurance services .....	660	1,079	7,857
Geographic information services .....	901	(426)	10,726
Real estate development and sales .....	(491)	(401)	(5,845)
Information and communication related and other services .....	1,780	2,647	21,190
Total .....	<b>53,300</b>	55,123	<b>634,523</b>
Adjustment .....	<b>(5,383)</b>	(6,182)	<b>(64,083)</b>
<b>Consolidated operating profit</b> .....	<b>¥47,916</b>	¥48,940	<b>\$570,428</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD. and Subsidiaries

## **1. Basis of Financial Statements**

The accompanying consolidated financial statements have been prepared in conformity with accounting practices ordinarily followed in connection with interim financial statements in Japan 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 ¥84=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2010.

# DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

## Directors

**Founder:**

Makoto Iida

**Co-Founder:**

Juichi Toda

**Chairman:**

Shohei Kimura

**Executive Vice Chairman:**

Kanemasa Haraguchi

**President and Representative Director:**

Shuji Maeda

**Executive Vice President:**

Koichi Sato

**Senior Executive Director:**

Fumio Obata

**Executive Directors:**

Katsuhisa Kuwahara

Yasuo Nakayama

Hiroshi Ito

**Director:**

Takayuki Ito

## Corporate Auditors

Teruo Ogino

Ken Tsunematsu

Hiroshi Yasuda

Kohei Yamashita

## Executive Officers

Shuji Maeda

*President and*

*Representative Director*

Koichi Sato

*Executive Vice President*

Katsuo Akiyama

*Senior Managing Executive Officer*

Fumio Obata

*Senior Executive Director*

Katsuhisa Kuwahara

*Executive Director*

Yasuo Nakayama

*Executive Director*

Seiichi Mori

*Managing Executive Officer*

Hiroshi Ito

*Executive Director*

Shunji Ogahara

*Managing Executive Officer*

Minoru Takaoka

*Executive Officer*

Hideo Morishita

*Executive Officer*

Tsuneo Komatsuzaki

*Executive Officer*

Takayuki Ito

*Director*

Ryohei Komatsu

*Executive Officer*

Teruo Kano

*Executive Officer*

Yukio Tsunoda

*Executive Officer*

Naohide Nakamura

*Executive Officer*

Masahiro Takeda

*Executive Officer*

Teruhisa Yoshimura

*Executive Officer*

Keitaro Arai

*Executive Officer*

Yasuyuki Yoshida

*Executive Officer*

Tatsuro Fuse

*Executive Officer*



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