

# SEMIANNUAL REPORT 2011

For the Six-month Period Ended September 30, 2011



# PROFILE

Since its establishment in 1962, SECOM CO., LTD., a pioneer in Japan's security services industry, has sought to contribute to a safe society by developing innovative security services and systems, in line with its mission to provide security and peace of mind through its business activities. Beginning with Japan's first on-line security system, developed in 1966, SECOM has endeavored to create a variety of systems that respond to changing social imperatives.

Today, the overarching mission of SECOM—comprising the parent company and the companies of the SECOM Group—is to provide safety and security for people whenever and wherever necessary. With this in mind, SECOM is pressing ahead with efforts to realize its vision for the future, the Social System Industry, which describes a framework of distinctive, integrated products and services that make life more secure, convenient and comfortable. To this end, SECOM is capitalizing on its broad business portfolio, which includes security services, fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services, to drive growth. With the aim of rallying Group strengths and maximizing synergies, SECOM recently declared a new Group slogan, "ALL SECOM," which emphasizes advancing cooperation among our various businesses to strengthen the Group and build new synergies, as well as seeking to better grasp what customers expect so we are able to respond with products and services that contribute to society.

SECOM also offers security and other services in 18 overseas markets in Asia, Europe, Oceania and the Americas, and continues working to grow its overseas operations by providing customers with services of the same high quality as it does in Japan.

*Notes: 1. Comparisons of operating results in this semiannual report are between the six-month periods ended September 30, 2011 and 2010.*

*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

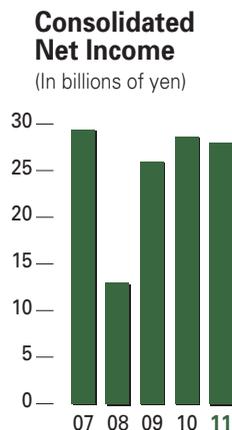
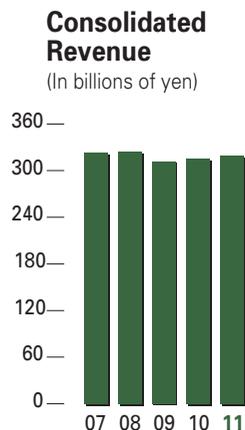
SECOM CO., LTD. and Subsidiaries  
Six-month periods ended September 30, 2011, 2010 and 2009

	In millions of yen			In thousands of U.S. dollars
	2011	2010	2009	2011
Revenue .....	<b>¥319,144</b>	¥315,499	¥312,765	<b>\$4,144,727</b>
Operating profit .....	<b>48,913</b>	47,916	48,940	<b>635,233</b>
Ordinary profit .....	<b>51,687</b>	51,316	48,284	<b>671,259</b>
Net income .....	<b>27,999</b>	28,712	26,150	<b>363,623</b>
Net income per share (yen and U.S. dollars) .....	<b>¥ 128.34</b>	¥ 131.69	¥ 119.94	<b>\$ 1.66</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 ¥77=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2011.

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



# TO OUR SHAREHOLDERS

## Operating Results

Despite the lingering impact of the Great East Japan Earthquake, the Japanese economy showed signs of rallying in the six-month period ended September 30, 2011, as recovery efforts—including the reconstruction of supply chains—proceeded apace. However, owing to fears of a slowdown in key overseas economies, coupled with the appreciation of the yen, a harsh employment situation and other factors, the economic outlook in Japan remained uncertain.

In this environment, we continued working to respond to the increasing diversity and sophistication of customer needs for safety and peace of mind with the aim of realizing our Social System Industry vision, in line with our overarching mission, which is to provide safety and security for people whenever and wherever necessary. To this end, we focused on offering high-grade products and services in our mainstay security services segment, as well as in our other business segments: fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services. Our new slogan, ALL SECOM, declared in November 2010, seeks to advance cooperation among our various businesses to strengthen the Group and build new synergies, as well as to ensure a solid grasp of customers' expectations.

Calculated according to accounting principles generally accepted in Japan (Japanese GAAP), consolidated revenue in the period under review was up 1.2%, to ¥319.1 billion. Operating profit rose 2.1%, to ¥48.9 billion. Ordinary profit advanced 0.7%, to ¥51.6 billion. Nonetheless, net income declined 2.5%, to ¥27.9 billion.

## Segment Results

### Security Services

The security services segment comprises electronic security services, other security services, and merchandise and other. Electronic security services include on-line commercial and home security systems (centralized security systems) and large-scale proprietary security systems. Other security services focus on static guard and armored car services. The merchandise and other category encompasses sales of closed-circuit television (CCTV) surveillance systems, external monitoring systems and access-control systems. In addition to our home market, Japan, we offer high-grade security and services to customers in key markets around the world through a network of overseas subsidiaries and affiliates.

In the period under review, revenue in the security services segment rose 0.4%, to ¥205.9 billion, reflecting steady efforts to expand our overseas operations. Operating profit edged up 0.2%, to ¥49.5 billion. During the period, we worked to ensure sales people visited existing subscribers in person to encourage system upgrades and to cultivate new subscribers. In Japan, we stepped up efforts to market new systems, including the

Intelligent Emergency Alert System, which applies our image recognition and voice processing technologies, enabling it to automatically detect abnormal or suspicious situations and alert a SECOM control center without the need for anyone to press an emergency alarm button. We also launched a new home security system designed especially for rental housing, responding to growing needs in this area of the security services market. In July 2011, we absorbed security equipment installation and maintenance subsidiary Secom Techno Service Co., Ltd., a move designed to optimize the allocation of management resources.

Overseas, Secom Guardall NZ Ltd., acquired in March 2011, proceeded with preparations to offer SECOM-style security services in the New Zealand market. In the United Kingdom, subsidiary Secom Plc took steps to enhance its security services for banks.

### 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. In the period under review, revenue increased 5.4%, to ¥32.3 billion, despite a harsh demand environment, bolstered by active business efforts in the renovation and new construction markets. We also saw brisk sales of specialty fire extinguishing equipment. This segment posted an operating profit of ¥1.2 billion, compared with an operating loss of ¥194 million in the six-month period ended September 30, 2010.

### 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 robust results in our home medical services and senior residence operation businesses, revenue rose 5.8%, to ¥20.9 billion. Operating profit advanced 51.0%, to ¥1.8 billion.

### Insurance Services

The insurance services segment focuses on distinctive non-life insurance policies, which look after customers in the event of misfortune. Revenue increased 6.2%, to ¥17.5 billion, reflecting brisk sales of MEDCOM, an unrestricted cancer treatment policy, and of fire insurance, particularly for homes. In contrast, the segment reported an operating loss of ¥211 million, compared with an operating profit of ¥660 million in the corresponding period of fiscal 2010. This was attributable to increases in insurance payouts and in the provision for the reserve for outstanding claims, the former a consequence of

the Great East Japan Earthquake and the latter of a major typhoon that hit Japan in September 2011.

### **Geographic Information Services**

Subsidiary Pasco Corporation 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, revenue increased 20.9%, to ¥22.0 billion, spurred by an increase in overseas sales and contributions from a subsidiary consolidated in December 2010. Operating profit advanced 16.5%, to ¥1.0 billion. Because public-sector orders tend to be concentrated toward the end of the fiscal year, operating profit follows a similar trend and is thus expected to be up in the second half.

### **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, revenue fell 63.6%, to ¥3.0 billion, as demand in the condominium market failed to recover fully, owing to persistent unemployment and the troubling economic outlook. These same factors underscored an operating loss of ¥295 million, which nonetheless was an improvement from the ¥491 million operating loss reported in the six-month period ended September 30, 2010.

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

This segment consists primarily of information and communication related services—including information security systems and network system operations services, which assist customers to formulate effective business continuity plans (BCPs)—and real estate leasing. In the period under review, we reinforced our data center business and stepped up sales of core existing services, particularly SECOM Safety Confirmation Service. Revenue rose 2.9%, to ¥17.2 billion, reflecting an increase in sales of data center services. Operating profit advanced 36.8%, to ¥2.4 billion.

### **Looking Forward**

In the months and years ahead, we will continue pursuing a variety of initiatives aimed at realizing our Social System Industry vision. We also recognize the need to anticipate and respond swiftly to evolving social imperatives by developing and marketing service systems worthy of our customers' trust.

On December 15, 2011, we will launch Secom Home Security G–Custom, an advanced new home security system that draws on lessons taken from the Great East Japan Earthquake. This system combines features of our popular Secom Home Security system with, among others, information services, including a data storage service that allows residential subscribers to store important family data, including

photographs, banking details and prescriptions, at our Secure Data Center—thereby ensuring such data is protected in the event of an earthquake or other major disaster—and My Page, a customized user information page that includes information from selected other companies.

In addition, we will work toward the commercialization of a new series of home security and residential support services currently under development in Japan, having formed an alliance in August 2011 with a leading building materials and housing equipment manufacturer. Our alliance partner will also participate in My Page and collaborate in product and service development.

In line with our ALL SECOM slogan, we will step up efforts to market distinctive new services, including Total Support Service of Emergency Management, launched in September 2011, which rallies the diverse strengths of Group companies to provide comprehensive support for the development and implementation of BCPs. We will also expand tailored services, a recent example of which is a service that monitors the well-being of elderly relatives of individuals that have been posted overseas by their employers.

As always, we will be guided by our original corporate philosophy, which emphasizes challenging accepted norms to create innovative solutions, and by our corporate message, "Providing reliable peace of mind." We pledge to work as one to contribute to society through our business activities and to prove ourselves worthy of the trust of our customers. In all of our endeavors, we look forward to the ongoing support of our shareholders.

December 2011



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, 2011 and 2010

ASSETS	In millions of yen		In thousands of U.S. dollars
	2011	2010	2011
<b>Current assets:</b>			
Cash on hand and in banks .....	¥ 172,502	¥ 162,642	\$ 2,240,285
Cash deposits for armored car services .....	52,703	47,252	684,454
Call loans .....	37,500	37,500	487,012
Notes and accounts receivable, trade .....	60,052	52,825	779,896
Due from subscribers .....	22,846	21,937	296,701
Short-term investments .....	16,666	7,669	216,441
Lease receivables and investment in leased assets .....	15,645	14,729	203,181
Merchandise and products .....	11,353	11,895	147,441
Real estate inventories .....	9,261	11,653	120,272
Work in process .....	2,806	2,223	36,441
Costs on uncompleted construction contracts .....	7,868	6,769	102,181
Work in process for real estate inventories .....	48,334	56,137	627,714
Raw materials and supplies .....	5,924	5,873	76,935
Deferred income taxes .....	12,047	11,542	156,454
Short-term loans receivable .....	3,382	2,319	43,922
Other .....	14,595	13,179	189,545
Allowance for doubtful accounts .....	(1,531)	(2,077)	(19,883)
Total current assets .....	491,961	464,072	6,389,103
<b>Fixed assets:</b>			
Tangible assets:			
Buildings and improvements .....	102,999	103,169	1,337,649
Security equipment and control stations .....	65,619	64,366	852,194
Land .....	98,567	93,670	1,280,090
Other .....	19,415	18,242	252,142
Intangible assets .....	25,373	20,831	329,519
Investments and others:			
Investment securities .....	168,590	173,697	2,189,480
Long-term loans receivable .....	46,771	50,057	607,415
Prepaid pension and severance costs .....	18,881	18,504	245,207
Deferred income taxes .....	20,460	21,020	265,714
Other .....	42,179	43,416	547,779
Allowance for doubtful accounts .....	(17,717)	(18,358)	(230,090)
Total fixed assets .....	591,142	588,619	7,677,168
Deferred assets .....	52	173	675
<b>Total assets</b> .....	<b>¥1,083,156</b>	<b>¥1,052,866</b>	<b>\$14,066,961</b>

<b>LIABILITIES</b>	In millions of yen		In thousands of U.S. dollars
	<b>2011</b>	2010	<b>2011</b>
<b>Current liabilities:</b>			
Notes and accounts payable, trade .....	¥ 24,928	¥ 23,493	\$ 323,740
Bank loans .....	40,131	36,008	521,181
Current portion of straight bonds .....	4,963	1,501	64,454
Lease obligations .....	361	341	4,688
Payables—other .....	19,994	19,389	259,662
Accrued income taxes .....	20,947	18,298	272,038
Accrued consumption taxes .....	2,575	2,694	33,441
Accrued expenses .....	3,761	3,421	48,844
Deferred revenue .....	31,291	32,749	406,376
Accrued bonuses .....	12,335	12,355	160,194
Provision for loss on construction contracts .....	622	340	8,077
Other .....	35,390	37,926	459,610
Total current liabilities .....	197,304	188,521	2,562,389
<b>Long-term liabilities:</b>			
Straight bonds .....	11,346	16,310	147,350
Long-term loans .....	13,887	16,718	180,350
Lease obligations .....	2,963	2,694	38,480
Guarantee deposits received .....	38,317	37,070	497,623
Deferred income taxes .....	8,924	8,535	115,896
Accrued pension and severance costs .....	12,803	13,013	166,272
Accrued retirement benefits for directors and corporate auditors .....	2,405	2,327	31,233
Investment deposits by policyholders, unearned premiums and other insurance liabilities .....	130,641	137,030	1,696,636
Other .....	1,614	1,588	20,961
Total long-term liabilities .....	222,905	235,288	2,894,870
Total liabilities .....	420,209	423,810	5,457,259
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock .....	66,377	66,377	862,038
Capital surplus .....	83,054	83,054	1,078,623
Retained earnings .....	557,772	517,613	7,243,792
Common stock in treasury, at cost .....	(73,656)	(74,912)	(956,571)
Total shareholders' equity .....	633,547	592,132	8,227,883
<b>Accumulated other comprehensive income:</b>			
Unrealized gains on securities .....	1,412	1,836	18,337
Deferred losses on hedges .....	(27)	(11)	(350)
Foreign currency translation adjustments .....	(33,420)	(31,375)	(434,025)
Total accumulated other comprehensive income .....	(32,035)	(29,549)	(416,038)
<b>Minority interests in subsidiaries</b> .....	<b>61,434</b>	<b>66,473</b>	<b>797,844</b>
Total net assets .....	662,946	629,056	8,609,688
<b>Total liabilities and net assets</b> .....	<b>¥1,083,156</b>	<b>¥1,052,866</b>	<b>\$14,066,961</b>

## CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries

Six-month periods ended September 30, 2011 and 2010

	In millions of yen		In thousands of U.S. dollars
	2011	2010	2011
Revenue .....	<b>¥319,144</b>	¥315,499	<b>\$4,144,727</b>
Costs of revenue .....	<b>200,876</b>	197,741	<b>2,608,779</b>
Gross profit .....	<b>118,268</b>	117,757	<b>1,535,948</b>
Selling, general and administrative expenses .....	<b>69,355</b>	69,841	<b>900,714</b>
Operating profit .....	<b>48,913</b>	47,916	<b>635,233</b>
Non-operating income .....	<b>6,305</b>	6,607	<b>81,883</b>
Non-operating expenses .....	<b>3,531</b>	3,208	<b>45,857</b>
Ordinary profit .....	<b>51,687</b>	51,316	<b>671,259</b>
Extraordinary profit .....	<b>221</b>	1,268	<b>2,870</b>
Extraordinary losses .....	<b>1,117</b>	3,289	<b>14,506</b>
Income before income taxes .....	<b>50,791</b>	49,295	<b>659,623</b>
Income taxes—current .....	<b>20,873</b>	18,124	<b>271,077</b>
Income taxes—deferred .....	<b>258</b>	873	<b>3,350</b>
Net income before minority interests in subsidiaries .....	<b>29,660</b>	30,298	<b>385,194</b>
Minority interests in subsidiaries .....	<b>1,660</b>	1,585	<b>21,558</b>
Net income .....	<b>¥ 27,999</b>	¥ 28,712	<b>\$ 363,623</b>

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SECOM CO., LTD. and Subsidiaries

Six-month periods ended September 30, 2011 and 2010

	In millions of yen		In thousands of U.S. dollars
	2011	2010	2011
<b>Net income before minority interests in subsidiaries</b> .....	<b>¥29,660</b>	¥30,298	<b>\$385,194</b>
<b>Other comprehensive income:</b>			
Unrealized losses on securities .....	<b>(817)</b>	(3,157)	<b>(10,610)</b>
Deferred gains on hedges .....	<b>5</b>	8	<b>64</b>
Foreign currency translation adjustments .....	<b>(34)</b>	(2,155)	<b>(441)</b>
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method .....	<b>900</b>	(1,259)	<b>11,688</b>
Total other comprehensive income .....	<b>54</b>	(6,564)	<b>701</b>
<b>Comprehensive income</b> .....	<b>29,714</b>	23,733	<b>385,896</b>
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent company .....	<b>27,974</b>	22,530	<b>363,298</b>
Comprehensive income attributable to minority interests .....	<b>1,740</b>	1,202	<b>22,597</b>

## BUSINESS SEGMENT INFORMATION

SECOM CO., LTD. and Subsidiaries  
Six-month periods ended September 30, 2011 and 2010

In thousands  
of U.S. dollars

	In millions of yen		In thousands of U.S. dollars
	2011	2010	2011
<b>Revenue:</b>			
Security services			
Customers .....	¥205,981	¥205,125	\$2,675,077
Intersegment .....	5,227	4,451	67,883
	<b>211,208</b>	209,577	<b>2,742,961</b>
Fire protection services			
Customers .....	32,378	30,709	420,493
Intersegment .....	1,987	2,791	25,805
	<b>34,365</b>	33,501	<b>446,298</b>
Medical services			
Customers .....	20,904	19,760	271,480
Intersegment .....	80	60	1,038
	<b>20,985</b>	19,821	<b>272,532</b>
Insurance services			
Customers .....	17,515	16,493	227,467
Intersegment .....	1,465	1,337	19,025
	<b>18,980</b>	17,831	<b>246,493</b>
Geographic information services			
Customers .....	22,080	18,263	286,753
Intersegment .....	51	65	662
	<b>22,131</b>	18,328	<b>287,415</b>
Real estate development and sales			
Customers .....	3,059	8,406	39,727
Intersegment .....	449	—	5,831
	<b>3,508</b>	8,406	<b>45,558</b>
Information and communication related and other services			
Customers .....	17,224	16,739	223,688
Intersegment .....	2,716	2,771	35,272
	<b>19,941</b>	19,510	<b>258,974</b>
Total .....	<b>331,122</b>	326,977	<b>4,300,285</b>
Adjustment .....	<b>(11,977)</b>	(11,478)	<b>(155,545)</b>
<b>Consolidated revenue</b> .....	<b>¥319,144</b>	¥315,499	<b>\$4,144,727</b>

	In millions of yen		In thousands of U.S. dollars
	2011	2010	2011
<b>Operating profit (loss):</b>			
Security services .....	¥49,524	¥49,420	\$643,168
Fire protection services .....	1,290	(194)	16,753
Medical services .....	1,847	1,223	23,987
Insurance services .....	(211)	660	(2,740)
Geographic information services .....	1,049	901	13,623
Real estate development and sales .....	(295)	(491)	(3,831)
Information and communication related and other services .....	2,435	1,780	31,623
Total .....	<b>55,641</b>	53,300	<b>722,610</b>
Adjustment .....	<b>(6,727)</b>	(5,383)	<b>(87,363)</b>
<b>Consolidated operating profit</b> .....	<b>¥48,913</b>	¥47,916	<b>\$635,233</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 ¥77=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2011.

# 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

Seiji Sakamoto

Ken Tsunematsu

Hiroshi Yasuda

Kohei Yamashita

## Executive Officers

Shuji Maeda

*President and*

*Representative Director*

Koichi Sato

*Executive Vice President*

Fumio Obata

*Senior Executive Director*

Katsuhisa Kuwahara

*Executive Director*

Yasuo Nakayama

*Executive Director*

Hiroshi Ito

*Executive Director*

Shunji Ogahara

*Managing Executive Officer*

Naohide Nakamura

*Managing Executive Officer*

Minoru Takaoka

*Executive Officer*

Hideo Morishita

*Executive Officer*

Tsuneo Komatsuzaki

*Executive Officer*

Takayuki Ito

*Director*

Ryohei Komatsu

*Executive Officer*

Yukio Tsunoda

*Executive Officer*

Masahiro Takeda

*Executive Officer*

Teruhisa Yoshimura

*Executive Officer*

Keitaro Arai

*Executive Officer*

Yasuyuki Yoshida

*Executive Officer*

Tatsuro Fuse

*Executive Officer*

Hiromichi Sonoda

*Executive Officer*



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Printed in Japan