

SEMIANNUAL REPORT 2016

For the Six-month Period Ended September 30, 2016



PROFILE

Since its establishment in 1962, SECOM CO., LTD., Japan's first security services company, has sought to develop and encourage broad acceptance of pioneering services and systems that deliver safety, peace of mind, comfort and convenience, in line with its belief in the importance of contributing to society through its business activities.

The overarching mission of SECOM, which comprises the parent company and the companies of the SECOM Group, is to provide safety and peace of mind and help make life more comfortable and convenient. Accordingly, we are pressing forward with efforts to realize our vision for the future, the Social System Industry, which describes a framework of distinctive, integrated services and systems. To this end, we are leveraging our extensive business portfolio—which has expanded to encompass security services, fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services—to create a solid foundation for future expansion, working not only to enhance individual businesses but also to integrate services, thereby yielding synergies that will drive growth.

Today, we are maximizing these synergies to expand the scope of our operations by promoting the “ALL SECOM” concept, which focuses on rallying Group strengths, to broaden our selection of services and systems, as well as to enhance comfort and convenience, with the aim of alleviating problems and resolving concerns. Through these efforts, we strive to make SECOM an ever-present part of customers' lives.

We have also expanded our focus beyond Japan. Currently active in 21 countries and territories in Asia, Europe, Oceania and the Americas, where we offer distinctive security services, fire protection services, medical services and geographic information services, we continue to strengthen and grow our overseas operations.

Notes: 1. Comparisons of operating results in this semiannual report are between the six-month periods ended September 30, 2016 and 2015.

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, 2016, 2015 and 2014

	In millions of yen			In thousands of U.S. dollars
	2016	2015	2014	2016
Revenue	¥440,086	¥408,890	¥393,380	\$4,357,287
Operating profit	62,146	60,206	59,611	615,306
Ordinary profit	67,343	63,062	70,251	666,762
Net income attributable to owners of the parent	40,857	40,045	41,181	404,524
Net income per share (yen and U.S. dollars)	¥ 187.20	¥ 183.47	¥ 188.68	\$ 1.85

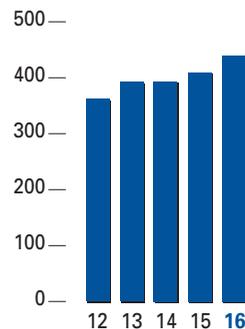
Notes: 1. Net income per share figures are in exact yen and U.S. dollars.

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 ¥101=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2016.

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

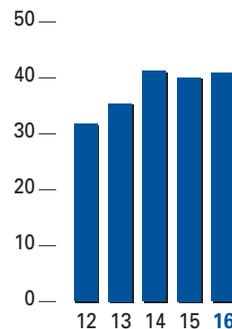
Consolidated Revenue

(In billions of yen)



Consolidated Net Income Attributable to Owners of The Parent

(In billions of yen)



TO OUR SHAREHOLDERS

Operating Results

Despite an improvement in the employment situation, the outlook for the Japanese economy remained unclear in the six months ended September 30, 2016, as corporate earnings stagnated amid concern over growing uncertainty in overseas economies and fluctuations in the financial and capital markets.

In this environment, we continued working to address ever more diverse and sophisticated needs for safety and peace of mind, focusing on offering high-grade services and systems that respond to customers' needs in our security services segment, as well as in our fire protection services, medical services, insurance preparedness services, geographic information services, information and communication related services, and real estate and other services segments. We also proceeded with efforts to apply the ALL SECOM concept, which emphasizes cooperation among our various independent businesses to strengthen the Group as a whole. In addition, we continued to chart further growth by pushing ahead with the development of innovative services and systems that anticipate social changes in line with three key themes—security, a super-aged society and disaster preparedness/business continuity planning (BCP)/environmental preservation.

Calculated according to accounting principles generally accepted in Japan (Japanese GAAP), consolidated revenue in the period under review rose 7.6%, to an all-time high of ¥440.0 billion, reflecting the inclusion of results for Asahi Security Co., Ltd., consolidated in December 2015. We reported a 3.2% increase in consolidated operating profit, to ¥62.1 billion, also a record. Consolidated ordinary profit was up 6.8%, to ¥67.3 billion, owing mainly to a ¥2.9 billion net gain on private equity investments, principally in the United States, compared with a ¥168 million net loss on such investments in the corresponding period of the previous fiscal year. Consolidated net income attributable to owners of the parent advanced 2.0%, to ¥40.8 billion.

In light of our solid performance in the period under review, with the aim of enhancing returns to shareholders, on November 9, 2016, the Board of Directors approved the payment of an interim dividend of ¥70.00 per share, up ¥5.00 from the interim dividend paid in the previous fiscal year.

Segment Results Security Services

The security services segment comprises electronic security services, other security services, and merchandise and other. Electronic security services consist of on-line commercial and home security systems and large-scale proprietary security systems. Other security services include static guard and armored car services. The merchandise and other category encompasses sales of a wide range of security products, including security camera systems, access control systems, automated fire extinguishing systems and external monitoring systems. We also offer high-quality security services in overseas markets through a network of local subsidiaries and affiliates.

In the period under review, revenue in this segment increased 11.7%, to ¥262.2 billion, while operating profit edged up 0.4%, to ¥56.4 billion. Principal factors behind these results included brisk sales of on-line security systems for commercial and residential use and of access control systems, security camera systems and other merchandise.

For commercial subscribers in Japan, we stepped up marketing of high-value-added on-line security systems such as SECOM LX, which combines an on-line security system with access control functions

that help improve the efficiency of personnel management, and SECOM FX, an on-line security system with energy-saving facility control functions. For home security subscribers, we sought to expand sales of SECOM Home Security G-Custom, which combines home security with a variety of lifestyle support features—to deliver not only safety and peace of mind, but also comfort and convenience—to accommodate an ever more diverse range of residential environments and family configurations.

Fire Protection Services

This segment focuses on 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. Segment revenue declined 6.9%, to ¥53.1 billion, and operating profit decreased 5.9%, to ¥4.2 billion, largely because major orders for these systems for electric power generating facilities, among others, inflated results in the six months ended September 30, 2015. Income in this segment tends to be concentrated toward the end of the fiscal year, as the fire protection services business is influenced significantly by trends in the construction industry.

Medical Services

The medical services segment encompasses home medical services, which center on pharmaceutical dispensing and home nursing services, as well as sales of medical equipment, pharmaceuticals and other products, the operation of residences for seniors, the provision of remote image diagnosis support services, electronic medical report systems and personal care services, and the leasing of real estate for hospitals and healthcare-related institutions. Although the segment reported a 7.2% increase in revenue, to ¥32.6 billion, reflecting brisk sales of pharmaceuticals and of medical equipment and other products, operating profit dipped 0.1%, to ¥2.7 billion, owing to a higher cost ratio.

Insurance Services

We believe that both security services, which are preventative by nature, and non-life insurance, which looks after people should misfortune strike, are essential to our ability to provide customers with safety and peace of mind. Our extensive lineup includes fire insurance policies for commercial premises and homes, a comprehensive automobile insurance policy and MEDCOM, an unrestricted cancer treatment policy that covers the entire cost of medical treatment. Revenue in this segment advanced 3.6%, to ¥20.1 billion, underpinned by firm sales of MEDCOM, among others. Operating profit climbed 163.8%, to ¥1.1 billion, bolstered by such factors as a decrease in losses attributable to natural disasters.

Geographic Information Services

The geographic information services segment includes the use of high-precision measuring equipment and surveying technologies to provide a variety of geospatial information services to public sector entities, including national and local governments, and private sector customers in Japan. We also provide geospatial information services to government agencies overseas, including in emerging economies and developing countries. With revenue from services for both public sector and overseas entities down, segment revenue declined 3.9%, to ¥21.9 billion. The segment reported an operating loss of ¥511 million,

an improvement from a ¥689 million operating loss in the six months ended September 30, 2015. Factors behind this result included a better cost ratio—attributable to the recognition of a provision for loss on contracts at the end of the preceding fiscal year, among others—and a decrease in selling, general and administrative expenses. Because deliveries to the public sector, the segment's principal market, are generally clustered at the end of March, income follows a similar trend.

Information and Communication Related Services

This segment consists mainly of information and communication related services, which focus on data center services, as well as uniquely SECOM BCP support services, information security services and cloud-based services. Segment revenue rose 3.7%, to ¥24.1 billion, bolstered by, among others, an increase in revenue from data center services and contributions from the SECOM *Anshin* My Number Service, launched in the previous fiscal year. Operating profit advanced 26.4%, to ¥3.2 billion, thanks to a decline in costs incurred in the operation of data centers.

Real Estate and Other Services

The real estate and other services segment encompasses the development and sales of condominiums equipped with sophisticated security and disaster-preparedness features, as well as real estate leasing, construction, and installation and other services. Revenue in this segment was up 23.0%, to ¥25.7 billion, owing to robust revenue in the real estate development and sales business, a result primarily of higher sales of condominiums. Operating profit rose 18.0%, to ¥2.5 billion.

Looking Forward

Recent years have brought heightened expectations regarding companies' efforts to address critical social imperatives. Recognizing our belief in the importance of contributing to society through our business activities as a key source of our competitiveness, we remain committed to pushing ahead with the development of services and systems that respond to such imperatives by providing safety and peace of mind, as well as comfort and convenience.

In the period under review, we continued promoting various initiatives with a view to hastening our advancement to a new stage of growth. In security services, we expanded our lineup of services designed for major events, including international conferences. For the G7 Ise-Shima Summit, held in May 2016, we supplied a SECOM Airship. In addition, SECOM 3D Security Planning was used to formulate the summit's security plan. Having thus verified its effectiveness, we began providing SECOM 3D Security Planning in September 2016. We look forward to this service playing an important role in security planning for a variety of large-scale events. We also provided a number of services for the G7 Science and Technology Ministers' Meeting held in Tsukuba, Ibaraki Prefecture, including SECOM Aerostat, a small-scale version of the SECOM Airship, as well as the SECOM Drone Detection System, wearable cameras and other advanced security systems, thereby ensuring safety and peace of mind for all concerned. In the area of information security, in July 2016 we commenced sales of the SECOM Premium Net Remote Browser, a cloud-based service that uses virtual browsers inside Secure Data Center facilities to isolate customers' in-house computer systems from the Internet to protect them from Web-based viruses and cyber attacks.

Now in the second half of the current fiscal year, we continue to promote the development of services that will enhance our ability to address new social imperatives. One such imperative is the recent emergence of the *minpaku* guesthouse business, which offers short-term paid accommodations in private rooms, apartments and houses. In response to the needs of *minpaku* operators, in November 2016 we began offering the SECOM *Anshin* Guesthouse Owner Package, a comprehensive set of essential support services for operators that includes the installation of automatic fire alarm systems, the provision of keyless electronic door locks and room safes, non-life insurance to protect against the theft of furniture and fixtures, and renovation services. In the area of home security, in October 2016 we capitalized on the increasingly pervasive presence of smartphones in Japan to introduce SECOM *Anshin* App, which allows subscribers to set their security systems remotely from their smartphones. Looking forward, we will work to expand the functions of existing products and develop new offerings to provide customers with safety, peace of mind, comfort and convenience.

Given the furious pace of social change, our success in realizing services that respond to evolving concerns will depend not only on our own management resources and technologies, but also on our ability to collaborate with business partners. In line with our growth strategy, we established a team to oversee open innovation initiatives with the goal of promoting cooperation with entities outside the SECOM Group to accelerate the creation of new services and systems. Overseas, we will work to create a strong presence as a provider of security services in markets in the Asia-Pacific region through reinforcing our operating foundation by expanding the development of products tailored to local needs and by allocating staff with the ability to perform in a global business environment.

We place a considerable emphasis on enhancing employee job satisfaction gained through the fulfillment of professional aspirations. This is because we recognize that motivating employees to create superior offerings enables us to provide exciting, inspiring services that exceed customers' expectations, which in turn enhances society's trust in us as a company, thus further reinforcing job satisfaction among our employees. We will continue to capitalize on this cycle, as well as to value the role played by all members of the SECOM family, to ensure flexible, resilient and sustainable growth. Through these efforts, we aim to realize our Social System Industry vision, which describes a framework of distinctive services and systems. In these and all our endeavors, we look forward to the ongoing support of shareholders.

November 2016



Makoto Iida
Founder



Yasuo Nakayama
President and Representative Director

CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries
September 30 and March 31, 2016

	In millions of yen		In thousands of U.S. dollars
	September 30, 2016	March 31, 2016	September 30, 2016
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 270,596	¥ 228,458	\$ 2,679,168
Cash deposits for armored car services	124,965	128,267	1,237,277
Notes and accounts receivable, trade	85,619	122,048	847,712
Due from subscribers	31,905	31,812	315,891
Short-term investments	29,158	34,448	288,693
Lease receivables and investment in leased assets	39,011	39,542	386,247
Merchandise and products	14,032	13,099	138,930
Real estate inventories	2,436	3,527	24,118
Work in process	6,564	5,557	64,990
Costs on uncompleted construction contracts	11,382	9,070	112,693
Work in process for real estate inventories	23,830	23,024	235,940
Raw materials and supplies	8,231	8,579	81,495
Deferred income taxes	13,784	12,728	136,475
Short-term loans receivable	4,531	4,086	44,861
Other	20,174	27,375	199,742
Allowance for doubtful accounts	(1,598)	(1,883)	(15,821)
Total current assets	684,625	689,744	6,778,465
Fixed assets:			
Tangible assets:			
Buildings and improvements, net	145,840	148,828	1,443,960
Security equipment and control stations, net	72,632	71,447	719,128
Land	117,042	116,613	1,158,831
Other, net	39,088	39,415	387,009
Total tangible assets	374,603	376,305	3,708,940
Intangible assets	116,664	119,505	1,155,089
Investments and others:			
Investment securities	244,069	264,400	2,416,524
Long-term loans receivable	39,274	39,401	388,851
Net defined benefit asset	30,266	30,796	299,663
Deferred income taxes	10,270	8,602	101,683
Other	51,952	54,978	514,376
Allowance for doubtful accounts	(14,997)	(15,698)	(148,485)
Total investments and others	360,836	382,482	3,572,633
Total fixed assets	852,103	878,293	8,436,663
Deferred assets	11	14	108
Total assets	¥1,536,741	¥1,568,052	\$15,215,257

	In millions of yen		In thousands of U.S. dollars
	September 30, 2016	March 31, 2016	September 30, 2016
LIABILITIES			
Current liabilities:			
Notes and accounts payable, trade	¥ 35,972	¥ 41,794	\$ 356,158
Bank loans	31,992	55,283	316,752
Current portion of straight bonds	2,390	2,582	23,663
Lease obligations	4,827	4,724	47,792
Payables—other	30,136	38,376	298,376
Accrued income taxes	21,148	22,341	209,386
Accrued consumption taxes	4,860	6,611	48,118
Accrued expenses	5,225	5,562	51,732
Deposits received for armored car services	103,689	101,306	1,026,623
Deferred revenue	30,877	31,389	305,712
Accrued bonuses	15,188	15,524	150,376
Provision for losses on construction contracts	1,470	1,397	14,554
Other	20,964	20,738	207,564
Total current liabilities	308,743	347,633	3,056,861
Long-term liabilities:			
Straight bonds	7,581	8,251	75,059
Long-term loans	17,196	20,033	170,257
Lease obligations	12,186	11,954	120,653
Guarantee deposits received	34,187	35,002	338,485
Deferred income taxes	15,430	14,026	152,772
Accrued retirement benefits for directors and audit and supervisory board members	1,226	1,387	12,138
Net defined benefit liability	22,556	22,816	223,326
Investment deposits by policyholders, unearned premiums and other insurance liabilities	162,819	159,636	1,612,069
Other	3,336	4,166	33,029
Total long-term liabilities	276,522	277,274	2,737,841
Total liabilities	585,266	624,907	5,794,712
NET ASSETS			
Shareholders' equity:			
Common stock	66,377	66,377	657,198
Capital surplus	80,310	80,326	795,148
Retained earnings	769,458	743,353	7,618,396
Common stock in treasury, at cost	(73,723)	(73,717)	(729,930)
Total shareholders' equity	842,424	816,340	8,340,831
Accumulated other comprehensive income (losses):			
Unrealized gains on securities	16,591	19,964	164,267
Deferred losses on hedges	(38)	(40)	(376)
Foreign currency translation adjustments	(19,803)	(2,196)	(196,069)
Remeasurements of defined benefit plans, net of taxes	(92)	(783)	(910)
Total accumulated other comprehensive income (losses)	(3,342)	16,944	(33,089)
Noncontrolling interests	112,393	109,859	1,112,801
Total net assets	951,474	943,144	9,420,534
Total liabilities and net assets	¥1,536,741	¥1,568,052	\$15,215,257

CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries
Six-month periods ended September 30, 2016 and 2015

	In millions of yen		In thousands of U.S. dollars
	2016	2015	2016
Revenue	¥440,086	¥408,890	\$4,357,287
Costs of revenue	291,876	269,909	2,889,861
Gross profit	148,209	138,980	1,467,415
Selling, general and administrative expenses	86,063	78,774	852,108
Operating profit	62,146	60,206	615,306
Non-operating income	8,316	4,877	82,336
Non-operating expenses	3,119	2,021	30,881
Ordinary profit	67,343	63,062	666,762
Extraordinary profit	128	886	1,267
Extraordinary losses	719	277	7,118
Income before income taxes	66,753	63,672	660,920
Income taxes—current	21,031	19,002	208,227
Income taxes—deferred	1,075	999	10,643
Total income taxes	22,107	20,001	218,881
Net income	44,646	43,670	442,039
Net income attributable to noncontrolling interests	3,788	3,625	37,504
Net income attributable to owners of the parent	¥ 40,857	¥ 40,045	\$ 404,524

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SECOM CO., LTD. and Subsidiaries
Six-month periods ended September 30, 2016 and 2015

	In millions of yen		In thousands of U.S. dollars
	2016	2015	2016
Net income	¥ 44,646	¥43,670	\$ 442,039
Other comprehensive losses:			
Unrealized losses on securities	(3,517)	(1,975)	(34,821)
Foreign currency translation adjustments	(12,845)	1,061	(127,178)
Remeasurements of defined benefit plans, net of taxes	492	161	4,871
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	(5,459)	433	(54,049)
Total other comprehensive losses	(21,329)	(318)	(211,178)
Comprehensive income	23,316	43,351	230,851
Comprehensive income attributable to:			
Owners of the parent company	20,570	39,811	203,663
Noncontrolling interests	2,745	3,539	27,178

BUSINESS SEGMENT INFORMATION

SECOM CO., LTD. and Subsidiaries
Six-month periods ended September 30, 2016 and 2015

	In millions of yen		In thousands of U.S. dollars
	2016	2015	2016
Revenue:			
Security services			
Customers	¥262,242	¥234,747	\$2,596,455
Intersegment	5,782	5,946	57,247
	268,025	240,694	2,653,712
Fire protection services			
Customers	53,147	57,114	526,207
Intersegment	1,490	2,160	14,752
	54,638	59,274	540,970
Medical services			
Customers	32,697	30,509	323,732
Intersegment	93	87	920
	32,790	30,596	324,653
Insurance services			
Customers	20,117	19,425	199,178
Intersegment	1,590	1,503	15,742
	21,707	20,929	214,920
Geographic information services			
Customers	21,986	22,868	217,683
Intersegment	108	45	1,069
	22,094	22,913	218,752
Information and communication related services			
Customers	24,162	23,304	239,227
Intersegment	3,527	3,839	34,920
	27,690	27,143	274,158
Real estate and other services			
Customers	25,732	20,920	254,772
Intersegment	952	978	9,425
	26,685	21,898	264,207
Total	453,632	423,451	4,491,405
Adjustment	(13,546)	(14,560)	(134,118)
Consolidated revenue	¥440,086	¥408,890	\$4,357,287

	In millions of yen		In thousands of U.S. dollars
	2016	2015	2016
Operating profit (loss):			
Security services	¥56,475	¥56,226	\$559,158
Fire protection services	4,289	4,556	42,465
Medical services	2,753	2,757	27,257
Insurance services	1,138	431	11,267
Geographic information services	(511)	(689)	(5,059)
Information and communication related services	3,257	2,577	32,247
Real estate and other services	2,597	2,201	25,712
Total	69,999	68,060	693,059
Adjustment	(7,852)	(7,854)	(77,742)
Consolidated operating profit	¥62,146	¥60,206	\$615,306

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 ¥101=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2016.

DIRECTORS, AUDIT AND SUPERVISORY BOARD MEMBERS AND EXECUTIVE OFFICERS

Directors

Founder:

Makoto Iida

President and Representative Director:

Yasuo Nakayama

Executive Directors:

Junzo Nakayama

Yasuyuki Yoshida

Directors:

Tatsuya Izumida

Ichiro Ozeki

Tatsushi Kurihara

Outside Directors:

Takaharu Hirose

Hirobumi Kawano

Hajime Watanabe

Audit and Supervisory Board Members

Takayuki Ito

Ryohei Komatsu

Hideki Kato*

Kenichi Sekiya*

Makoto Yasuda*

*Outside

Executive Officers

Yasuo Nakayama

President and

Representative Director

Junzo Nakayama

Executive Director

Yasuyuki Yoshida

Executive Director

Tatsuya Izumida

Director

Ichiro Ozeki

Director

Tatsushi Kurihara

Director

Kenichi Furukawa

Managing Executive Officer

Tatsuro Fuse

Managing Executive Officer

Masahiro Takeda

Managing Executive Officer

Teruhisa Yoshimura

Managing Executive Officer

Hideo Morishita

Managing Executive Officer

Tsuneo Komatsuzaki

Managing Executive Officer

Toshiaki Mizuno

Managing Executive Officer

Shokichi Ishimura

Managing Executive Officer

Yoichi Sugimoto

Executive Officer

Sumiyuki Fukumitsu

Executive Officer

Kensuke Shindo

Executive Officer

Yasufumi Kuwahara

Executive Officer

Noriyuki Fukuoka

Executive Officer

Takeshi Akagi

Executive Officer

Sadahiro Sato

Executive Officer

Osamu Ueda

Executive Officer

Yoshinori Yamanaka

Executive Officer

Seiya Nagao

Executive Officer

Noriyuki Uematsu

Executive Officer

Osamu Nagai

Executive Officer

Atsushi Komatsu

Executive Officer

(As of November 30, 2016)



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