

**SECOM**



**SEMIANNUAL REPORT 2008**

For the Six-Month Period Ended September 30, 2008



## PROFILE

**E**stablished in 1962, SECOM CO., LTD., is a pioneer in Japan's security services industry. In the years since, SECOM—the parent company and the other companies of the SECOM Group—has built up a solid reputation by developing and offering innovative products and services that benefit society. Today, SECOM's extensive business portfolio encompasses fire protection services, medical services, insurance services, geographical information services, real estate development and sales, and information and communication related and other services, in addition to its core security services business.

As well as providing products and services in each of these areas, SECOM continues to work toward realizing its vision for the future—the Social System Industry, a framework of distinctive, integrated packages of such products and services designed to make life more secure, convenient and comfortable. These efforts are enabling SECOM to respond to increasing needs for security and peace of mind.

SECOM is also active in overseas markets through its network of subsidiaries and joint ventures in Taiwan, the Republic of Korea (ROK), the People's Republic of China (PRC), Thailand, Malaysia, Singapore, Australia, Indonesia, Vietnam, the United Kingdom and the United States.

*Notes: 1. Comparisons of operating results in this semiannual report are between the six-month periods ended September 30, 2007 and 2008.*

*2. In line with the shift toward consolidated management in Japan, and to highlight the presence in its portfolio of security services and other businesses, effective from the six-month period ended September 30, 2008, SECOM's semiannual report presents information on its consolidated operating results, rather than its nonconsolidated 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, 2008, 2007 and 2006

	In millions of yen			In thousands of U.S. dollars
	2008	2007	2006	2008
Revenue .....	<b>¥324,219</b>	¥323,609	¥267,666	<b>\$3,117,490</b>
Operating profit .....	<b>39,387</b>	49,274	42,206	<b>378,721</b>
Ordinary profit .....	<b>41,621</b>	52,918	45,242	<b>400,201</b>
Net income .....	<b>12,957</b>	29,421	26,158	<b>124,586</b>
Net income per share (yen and U.S. dollars) .....	<b>¥ 57.60</b>	¥ 130.78	¥ 116.27	<b>\$ 0.55</b>

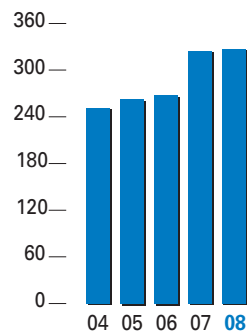
Notes: 1. Net income per share figures are in exact yen and U.S. dollars.

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 ¥104=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2008.

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

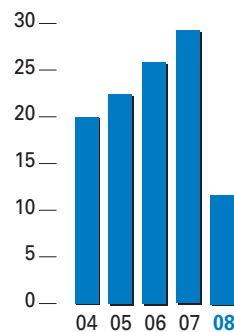
## Consolidated Revenue

(In billions of yen)



## Consolidated Net Income

(In billions of yen)



# TO OUR SHAREHOLDERS

## Overview

In the six-month period ended September 30, 2008, economic conditions in Japan continued to weaken as chaos in the financial markets—precipitated by the U.S. subprime loan crisis—and unstable prices for crude oil and raw materials heightened fears of a recession and cast a pall over consumer spending, corporate profits and capital investment.

Deteriorating public security and the rising incidence of malicious crime have led to increasingly diverse and sophisticated safety and security needs. Despite a harsh operating environment, in the period under review we continued to focus on responding promptly to our customers' needs for security and peace of mind by stepping up efforts to reinforce our core security services business, as well as our various other businesses, namely, fire protection services, medical services, insurance services, geographical information services, real estate development and sales, and information and communication related and other services. At the same time, we continued to build on our capabilities in these areas to realize our vision for the future—the Social System Industry, a framework of distinctive, integrated packages of products and services designed to make life more secure, convenient and comfortable.

Calculated in accordance with accounting principles generally accepted in Japan (Japanese GAAP) consolidated revenue for the period under review edged up 0.2% from the six-month period ended September 30, 2007, to ¥324.2 billion. Nonetheless, operating profit declined 20.1%, to ¥39.3 billion. Ordinary profit fell 21.3%, to ¥41.6 billion. Net income, at ¥12.9 billion, was down 56.0%, owing primarily to a ¥17.3 billion loss on revaluation of investment securities and inventories for real estate for sales.

## Segment Results

### Security Services

The security services segment encompasses electronic security services, other security services and sales of merchandise. Electronic security services include a wide range of mainstay on-line commercial and home security systems and large-scale proprietary security systems. Other security services feature static guard, armored car and other services. Merchandise sold includes sales of access-control systems, closed-circuit television (CCTV) surveillance systems and external monitoring systems. Through our network of overseas subsidiaries and affiliated companies, we extend the same high-grade security services as we do in Japan to customers in other markets.

In the six-month period ended September 30, 2008, revenue in the segment totaled ¥213.1 billion, an increase of 1.5%. In contrast, operating profit declined 1.8%, to ¥52.3

billion, owing to the absence of one-time orders for security products, which contributed to revenue in the six-month period ended September 30, 2007, and to an increase in costs arising from efforts to enhance service quality.

### Fire Protection Services

The fire protection service 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, segment revenue rose 15.4%, to ¥37.7 billion, bolstered by sales of residential fire alarms and fire extinguishing systems. Operating profit soared 143.2%, to ¥2.8 billion.

### Medical Services

This segment includes home medical services—namely, pharmaceutical dispensing and delivery and home nursing services—as well as remote image diagnosis support services, electronic medical report systems, sales of medical equipment, the operation of nursing homes, personal care services, the leasing of real estate for medical institutions, and others. Revenue in this segment slipped 2.2%, to ¥17.0 billion, reflecting a decline in sales of medical equipment prompted by the absence of a one-time order that bolstered sales in the six-month period ended September 30, 2007, although revenue from home medical services increased. Operating profit declined 16.9%, to ¥737 million.

### Insurance Services

To complement our security services, which are preventative by nature, subsidiary SECOM General Insurance Co., Ltd., offers non-life insurance, which ensures security and peace of mind in the event of misfortune. These include fire insurance policies for commercial premises and homes, automobile insurance and MEDCOM, an unrestricted cancer treatment policy. Owing to brisk sales of fire insurance policies and MEDCOM, segment revenue rose 6.0%, to ¥15.4 billion. The segment's operating loss shrank 10.0%, to ¥340 million.

### Geographic Information Services

The geographic information services segment includes a variety of geographic information system (GIS) services tailored to the needs of customers in the public and private sectors, as well as surveying and measuring, and construction consulting services, provided by subsidiary Pasco Corporation and its group companies. In the period under review, segment revenue rose 11.5%, to ¥15.6 billion. Because delivery times on public-sector orders—Pasco's principal mar-

ket—tend to be concentrated toward the end of the fiscal year, the segment recorded an operating loss of ¥1.3 billion, although this represented a 39.5% improvement from the six-month period ended September 30, 2007.

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

Effective from the period under review, we spun our real estate development and sales business—led by subsidiary Secom Home Life Co., Ltd.—off from the information and communication related and other services segment into an independent business segment. This move was made with the aim of clarifying the performance of this business and its impact on overall consolidated operating results. Relevant figures for the corresponding period a year earlier have been restated for the purpose of comparison.

The operations of subsidiary Secom Home Life include the development and sale of the Glorio series of condominiums, which are equipped with SECOM on-line security systems. In this segment, flagging conditions in the domestic condominium market provoked a 65.7% drop in revenue, to ¥4.7 billion. A ¥9.6 billion loss on revaluation of inventories for the real estate development and sales businesses was the principal factor behind a ¥11.0 billion segment operating loss, compared with operating profit of ¥669 million in the corresponding period a year earlier.

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

This segment encompasses information security services, which include secure data center services, digital authentication services and security monitoring services; disaster response and safety confirmation services; and real estate leasing. Revenue in the segment slipped 2.7%, to ¥20.4 billion. Nonetheless, an improvement in the cost of sales ratio was reflected in a 12.7% increase in operating profit, to ¥2.7 billion.

### **Other Developments: Resolution to Enhance Returns to Shareholders**

On November 5, 2008, the Board of Directors passed a resolution to purchase a maximum of 8,000,000 shares of SECOM stock (3.56% of shares issued, excluding treasury stock) for a maximum aggregate purchase price of ¥30.0 billion, between November 6 and December 22, 2008, pursuant to Japan's Companies Act. The objectives of the purchase are to enhance returns to shareholders and to facilitate flexible capital management, thereby helping to address changes in the operating environment.

### **Looking Ahead**

Challenging conditions persist in the Japanese economy as the sharp downturn in the real estate and stock markets spreads to all sectors of the economy. We are working hard to increase sales, cut costs and enhance operating efficiency, with the aim of minimizing the impact of worsening economic conditions on our results for the fiscal year ending March 31, 2009.

The SECOM brand remains a symbol of quality and reliability. Customers continue to look to us for flexible responses and effective solutions that eliminate sources of unease and threats to safety and security in everyday life. Having positioned security services as our core business and expanded our portfolio to include a wide range of other complementary services, we continue to emphasize the development of products and services that contribute to a safer and more secure society in our drive to secure growth and enhance corporate value. We are also strengthening our sales force with the aim of increasing opportunities for interaction with existing and potential customers in an effort to enhance our responsiveness to customer needs, thereby enabling us to increase our contract volume and market share. At the same time, we recognize that performance today is evaluated by our ability not only to generate solid financial results, but also to do so in a responsible manner, and are hastening efforts to contribute to environmental protection and sustainable development.

Going forward, we will strive to further leverage our diverse capabilities as we seek to realize the Social System Industry vision. We look forward to the support of our shareholders in these and all of our endeavors.

December 2008



Makoto Iida  
Founder



Shohei Kimura  
Chairman



Kanemasa Haraguchi  
President and Representative Director

# CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries  
September 30, 2008 and 2007

ASSETS	In millions of yen		In thousands of U.S. dollars
	2008	2007	2008
<b>Current assets:</b>			
Cash on hand and in banks .....	¥ 139,543	¥188,703	\$ 1,341,759
Cash deposits for armored car services .....	56,577	66,936	544,009
Call loans .....	22,000	—	211,538
Notes and accounts receivable, trade .....	61,220	60,098	588,653
Due from subscribers .....	20,268	20,230	194,884
Short-term investments .....	14,154	10,568	136,096
Inventories .....	31,768	32,981	305,461
Inventories for real estate for sales .....	84,868	77,373	816,038
Deferred income taxes .....	11,915	11,113	114,567
Short-term loans receivable .....	7,495	5,767	72,067
Other .....	14,199	15,029	136,528
Allowance for doubtful accounts .....	(1,899)	(1,878)	(18,259)
Total current assets .....	462,110	486,924	4,443,365
<b>Fixed assets:</b>			
Tangible assets:			
Buildings and improvements .....	87,589	87,306	842,201
Security equipment and control stations .....	67,956	66,415	653,423
Land .....	86,086	82,065	827,750
Other .....	35,976	32,335	345,923
Intangible assets .....	23,052	22,626	221,653
Investments and others:			
Investment securities .....	231,694	256,505	2,227,826
Long-term loans receivable .....	57,427	55,305	552,182
Prepaid pension and severance costs .....	18,339	16,804	176,336
Deferred income taxes .....	26,284	19,810	252,730
Other .....	47,695	46,666	458,605
Allowance for doubtful accounts .....	(17,899)	(15,416)	(172,105)
Total fixed assets .....	664,201	670,423	6,386,548
<b>Deferred assets</b> .....	367	356	3,528
<b>Total assets</b> .....	¥1,126,679	¥1,157,704	\$10,833,451



LIABILITIES	In millions of yen		In thousands of U.S. dollars
	2008	2007	2008
<b>Current liabilities:</b>			
Notes and accounts payable, trade .....	¥ 26,039	¥ 26,496	\$ 250,375
Bank loans .....	79,441	119,141	763,855
Current portion of straight bonds .....	1,756	3,436	16,884
Payables—other .....	20,852	22,527	200,500
Accrued income taxes .....	22,779	21,766	219,028
Accrued consumption taxes .....	2,421	3,372	23,278
Accrued expenses .....	3,584	2,939	34,461
Deferred revenue .....	33,433	32,014	321,471
Accrued bonuses .....	12,252	12,002	117,807
Other .....	44,126	56,611	424,288
Total current liabilities .....	246,687	300,308	2,371,990
<b>Long-term liabilities:</b>			
Straight bonds .....	16,831	14,492	161,836
Long-term loans .....	20,678	19,501	198,826
Guarantee deposits received .....	33,610	31,869	323,173
Deferred income taxes .....	4,986	2,983	47,942
Accrued pension and severance costs .....	15,670	16,876	150,673
Accrued retirement benefits for directors and corporate auditors .....	2,145	2,030	20,625
Investment deposits by policyholders, unearned premiums and other insurance liabilities .....	165,832	158,376	1,594,538
Other .....	1,037	823	9,971
Total long-term liabilities .....	260,792	246,953	2,507,615
Total liabilities .....	507,480	547,262	4,879,615
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock .....	66,377	66,377	638,240
Capital surplus .....	83,055	83,056	798,605
Retained earnings .....	469,801	443,902	4,517,317
Common stock in treasury, at cost .....	(44,891)	(44,862)	(431,644)
Total shareholders' equity .....	574,344	548,473	5,522,538
<b>Valuation, translation adjustments and others:</b>			
Unrealized gains (losses) on securities .....	(2,393)	5,405	(23,009)
Deferred losses on hedges .....	(22)	(41)	(211)
Foreign currency translation adjustments .....	(15,944)	(4,104)	(153,307)
Total valuation, translation adjustments and others .....	(18,361)	1,260	(176,548)
<b>Minority interests in subsidiaries</b> .....			
Total net assets .....	63,216	60,708	607,846
Total net assets .....	619,199	610,442	5,953,836
<b>Total liabilities and net assets</b> .....	<b>¥1,126,679</b>	<b>¥1,157,704</b>	<b>\$10,833,451</b>

# CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries

Six-month periods ended September 30, 2008 and 2007

	In millions of yen		In thousands of U.S. dollars
	2008	2007	2008
Revenue.....	<b>¥324,219</b>	¥323,609	<b>\$3,117,490</b>
Costs of revenue .....	<b>212,155</b>	202,121	<b>2,039,951</b>
Gross profit.....	<b>112,063</b>	121,488	<b>1,077,528</b>
Selling, general and administrative expenses.....	<b>72,676</b>	72,213	<b>698,807</b>
Operating profit.....	<b>39,387</b>	49,274	<b>378,721</b>
Non-operating income .....	<b>6,440</b>	7,854	<b>61,923</b>
Non-operating expenses.....	<b>4,205</b>	4,210	<b>40,432</b>
Ordinary profit.....	<b>41,621</b>	52,918	<b>400,201</b>
Extraordinary profit .....	<b>499</b>	744	<b>4,798</b>
Extraordinary loss .....	<b>8,230</b>	1,626	<b>79,134</b>
Income before income taxes .....	<b>33,889</b>	52,036	<b>325,855</b>
Income taxes—current .....	<b>22,696</b>	21,382	<b>218,230</b>
Income taxes—deferred .....	<b>(3,495)</b>	(156)	<b>(33,605)</b>
Minority interest in subsidiaries.....	<b>1,732</b>	1,389	<b>16,653</b>
Net income .....	<b>¥ 12,957</b>	¥ 29,421	<b>\$ 124,586</b>



## BUSINESS SEGMENT INFORMATION

SECOM CO., LTD. and Subsidiaries  
Six-month periods ended September 30, 2008 and 2007

	In millions of yen		In thousands of U.S. dollars
	2008	2007	2008
<b>Revenue:</b>			
Security services			
Customers .....	¥213,120	¥209,974	\$2,049,230
Intersegment .....	4,501	4,996	43,278
	<b>217,621</b>	214,971	<b>2,092,509</b>
Fire protection services			
Customers .....	37,765	32,712	363,125
Intersegment .....	3,255	1,745	31,298
	<b>41,020</b>	34,458	<b>394,423</b>
Medical services			
Customers .....	17,025	17,407	163,701
Intersegment .....	61	63	586
	<b>17,087</b>	17,470	<b>164,298</b>
Insurance services			
Customers .....	15,495	14,618	148,990
Intersegment .....	1,487	1,465	14,298
	<b>16,982</b>	16,084	<b>163,288</b>
Geographic information services			
Customers .....	15,623	14,008	150,221
Intersegment .....	31	251	298
	<b>15,654</b>	14,260	<b>150,519</b>
Real estate development and sales			
Customers .....	4,772	13,900	45,884
Intersegment .....	—	—	—
	<b>4,772</b>	13,900	<b>45,884</b>
Information and communication related and other services			
Customers .....	20,416	20,986	196,307
Intersegment .....	4,241	4,107	40,778
	<b>24,657</b>	25,093	<b>237,086</b>
Total .....	<b>337,797</b>	336,240	<b>3,248,048</b>
Eliminations .....	<b>(13,578)</b>	(12,631)	<b>(130,557)</b>
<b>Total revenue</b> .....	<b>¥324,219</b>	¥323,609	<b>\$3,117,490</b>

	In millions of yen		In thousands of U.S. dollars
	2008	2007	2008
<b>Operating profit (loss):</b>			
Security services .....	¥52,320	¥53,279	\$503,076
Fire protection services .....	2,872	1,181	27,615
Medical services .....	737	887	7,086
Insurance services .....	(340)	(378)	(3,269)
Geographic information services .....	(1,341)	(2,217)	(12,894)
Real estate development and sales .....	(11,082)	669	(106,557)
Information and communication related and other services .....	2,735	2,426	26,298
Total .....	<b>45,901</b>	55,848	<b>441,355</b>
Corporate expenses and eliminations .....	<b>(6,514)</b>	(6,573)	<b>(62,634)</b>
<b>Total operating profit</b> .....	<b>¥39,387</b>	¥49,274	<b>\$378,721</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 ¥104=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2008.

# DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

## Directors

### **Founder:**

Makoto Iida

### **Co-Founder:**

Juichi Toda

### **Chairman:**

Shohei Kimura

### **President and Representative Director:**

Kanemasa Haraguchi

### **Executive Directors:**

Seiichiro Kobayashi

Katsuhisa Kuwahara

Shuji Maeda

Yasuo Nakayama

Koichi Sato

### **Directors:**

Fumio Obata

Takayuki Ito

## Corporate Auditors

Teruo Ogino

Ken Tsunematsu

Hiroshi Yasuda

Kohei Yamashita

## Executive Officers

Kanemasa Haraguchi

*President and  
Representative Director*

Katsuo Akiyama

*Senior Managing Executive Officer*

Seiichiro Kobayashi

*Executive Director*

Katsuhisa Kuwahara

*Executive Director*

Shuji Maeda

*Executive Director*

Yasuo Nakayama

*Executive Director*

Koichi Sato

*Executive Director*

Yushiro Ito

*Managing Executive Officer*

Seiichi Mori

*Managing Executive Officer*

Seiji Sakamoto

*Managing Executive Officer*

Fumio Obata

*Director*

Hiroshi Ito

*Executive Officer*

Shunji Ogahara

*Executive Officer*

Kiyomasa Sugii

*Executive Officer*

Minoru Takaoka

*Executive Officer*

Yoshihiro Chino

*Executive Officer*

Mamoru Sasaki

*Executive Officer*

Hideo Morishita

*Executive Officer*

Tsuneo Komatsuzaki

*Executive Officer*

Takayuki Ito

*Director*

Ryohei Komatsu

*Executive Officer*



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