

SECOM



SEMIANNUAL REPORT 2009

For the Six-month Period Ended September 30, 2009

SECOM
オペレーションセンター

SECOM

PROFILE

A pioneer in Japan's security services industry, SECOM CO., LTD., has sought to contribute to society through its business activities since its establishment in 1962. The Company has built up a solid reputation by developing and offering innovative products and services, enabling it to respond effectively to society's evolving needs for security and peace of mind, as well as to achieve solid growth.

Today, SECOM—comprising the parent company and the companies of the SECOM Group—has expanded its focus beyond core security services to include fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services.

In line with its overarching goal of providing safety and security for people whenever and wherever necessary, SECOM continues to work toward realizing its vision for the future—the Social System Industry—a framework of distinctive products and services that make life more secure, convenient and comfortable. Through these efforts, SECOM continues to target further growth.

SECOM is also expanding its operations in overseas markets. The Company currently has 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, 2008 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

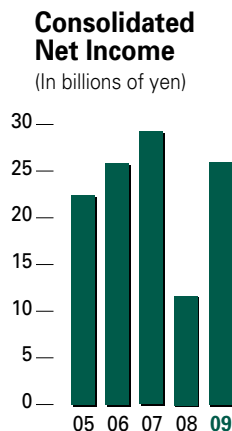
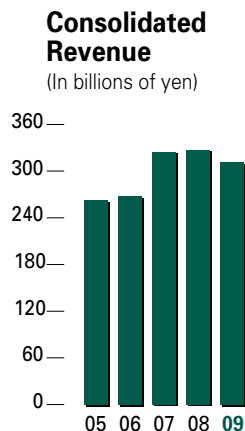
SECOM CO., LTD. and Subsidiaries
Six-month periods ended September 30, 2009, 2008 and 2007

	In millions of yen			In thousands of U.S. dollars
	2009	2008	2007	2009
Revenue	¥312,765	¥324,219	¥323,609	\$3,475,166
Operating profit	48,940	39,387	49,274	543,777
Ordinary profit	48,284	41,621	52,918	536,488
Net income	26,150	12,957	29,421	290,555
Net income per share (yen and U.S. dollars)	¥ 119.94	¥ 57.60	¥ 130.78	\$ 1.33

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 ¥90=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2009.

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 expansion of exports and production, bolstered by improved economic conditions overseas—particularly in developing countries—and the positive impact of inventory adjustments, uncertainty persisted in Japan in the six-month period ended September 30, 2009. This situation reflected persistently high unemployment levels and falling personal income, which continued to hamper consumer spending and housing investment, and weak corporate profits, which prompted companies to restrain capital investment.

In this environment, we continued to respond to the increasingly diverse and sophisticated needs of customers for security and peace of mind by offering high-grade 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 striving to realize our vision for the future, the Social System Industry—a framework of distinctive, integrated products and services designed to make life more secure, convenient and comfortable—and in so doing to achieve our overarching goal, which is to provide safety and security for people whenever and wherever necessary.

In the period under review, consolidated revenue calculated according to accounting principles generally accepted in Japan (Japanese GAAP) edged down 3.5%, to ¥312.7 billion, from the six-month period ended September 30, 2008. Nevertheless, operating profit rose 24.3%, to ¥48.9 billion, owing principally to the absence of a ¥9.6 billion loss on revaluation of real estate inventories, which negatively affected operating income in the corresponding period of the previous fiscal year. Ordinary profit advanced 16.0%, to ¥48.2 billion. Net income climbed 101.8%, to ¥26.1 billion, reflecting the absence of the ¥7.7 billion loss on revaluation of investment securities reported in the six-month period ended September 30, 2008.

Segment Results

Security Services

The security services segment encompasses electronic security services, other security services and sales of merchandise. Electronic security services comprise a broad array of on-line commercial and home security systems, as well as large-scale proprietary security systems. Other security services feature static guard and armored car services. Merchandise includes 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 offered in Japan to customers in other markets.

In the period under review, revenue in the security services segment slipped 3.9%, to ¥204.7 billion, and operating profit declined 4.2%, to ¥50.1 billion. These results were largely attributable to a decrease in revenue from installation services subsidiaries, owing to declines in large-scale project completions and in the average size of installation projects; reduced sales of merchandise; and the impact of a strong yen, which pushed down revenue at overseas subsidiaries.

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. Segment revenue declined 13.4%, to ¥32.7 billion, and operating profit fell 66.0%, to ¥976 million. These results primarily reflected the impact of a sharp increase in the completion of fire extinguishing system installations in large-scale facilities and robust sales of automatic fire alarm systems on results in the corresponding period of the previous fiscal year.

Medical Services

This segment includes home medical services, comprising pharmaceutical dispensing and delivery and home nursing services, 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 others. Owing to brisk revenue from home medical services and robust sales of medical equipment, rising occupancy rates at existing residences for seniors and the opening of Comfort Hills Rokko, a new residence for seniors located in Kobe, revenue in this segment increased 7.2%, to ¥18.2 billion, and operating profit rose 52.8%, to ¥1.1 billion.

Insurance Services

In addition to security services, which are preventative by nature, we offer distinctive non-life insurance policies, which looks after customers in the event of misfortune. These include fire insurance policies for commercial premises and homes, automobile insurance and MEDCOM, an unrestricted cancer treatment policy. Revenue in this segment rose 1.3%, to ¥15.6 billion. Bolstered by a reversal of the reserve for natural disasters and a decline in selling, general and administrative expenses, operating profit totaled ¥1.0 billion, up from an operating loss of ¥340 million.

Geographic Information Services

This segment consists of a variety of geographic information system (GIS)-based services tailored to the needs of customers in the public and private sectors, as well as surveying and measuring and construction consulting services. In the period under review, segment revenue advanced 8.1%, to ¥16.8 billion, reflecting steady progress on work for national and local government agencies. Because public-sector orders—the principal source of revenue in this segment—tend to be concentrated toward the end of the fiscal year, income follows a similar trend. Owing to stringent process management and cost-cutting efforts, the segment reported an operating loss of ¥426 million, which represents a 68.2% improvement.

Real Estate Development and Sales

This segment centers on the development and sales of the Glorio series of condominiums, which are equipped with advanced security and contingency planning features. Despite an apparent bottoming out of the condominium market, a recovery remained elusive. Nevertheless, the segment reported a 17.7% increase in revenue, to ¥5.6 billion. During the period, we continued to trim real estate inventories. This, together with the reduction of selling, general and administrative expenses and the absence of the ¥9.6 billion loss on revaluation of real estate inventories recorded in the six-month period ended September 30, 2008, the segment's operating loss improved 96.4%, to ¥401 million.

Information and Communication Related and Other Services

This segment includes information and communication related services—notably information security systems and network system operations services, which protect subscribers' information in the event of a major disaster—and real estate leasing. Segment revenue amounted to ¥18.8 billion, down 7.9%, while operating profit totaled ¥2.6 billion, a decline of 3.2%.

Looking Ahead

While Japan appears to be over the worst of the current economic slump, we expect harsh conditions to persist until the end of the fiscal year ending March 31, 2010. In this environment, we will continue working to bolster our performance by increasing revenue, reducing costs and enhancing operating efficiency.

In our mainstay security services business, we continued to reinforce sales activities and increase our market share, particularly with regard to customers and industries that as yet remain untapped. Overseas, improved economic conditions elsewhere in Asia bode well for our expanding operations in

the region. By continuing to leverage expertise amassed in the domestic market, we endeavor to capitalize on rising demand in these markets—particularly in the PRC—by providing products and services tailored to local needs and expanding our physical presence.

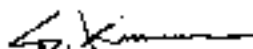
As a corporate entity, our ultimate objective is to contribute to society through our business activities. In this effort, we continue to be guided by our original corporate philosophy, which emphasizes challenging accepted norms to create innovative and better-suited solutions, and striving always to do what is appropriate for society. In the spirit of this philosophy, we recently launched a project at domestic Group companies called SECOM Fresh Start. This project has since been introduced at overseas SECOM Group companies, notably subsidiary Secom Plc in the United Kingdom and joint venture S1 Corporation in the ROK. This project encourages each individual employee to rethink the way they approach their job, to ultimately bring change to the Company. While we recognize that such change will not be easy, we also believe that it is crucial to ensure solid future growth. Additionally, to inject new energy into the Company and reinforce our management organization, effective January 1, 2010, Shuji Maeda will assume the presidency of SECOM from Kanemasa Haraguchi. Mr. Haraguchi will become executive vice chairman.

Moving forward, we will continue to offer products and services that reflect changing social imperatives and needs and promote a level of security worthy of our customers' trust, thereby enabling us to realize our Social System Industry vision and continue flourishing as a company. In these and all of our endeavors, we look forward to the continued support of our shareholders.

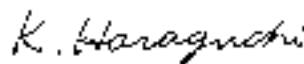
December 2009



Makoto Iida
Founder



Shohei Kimura
Chairman



Kanemasa Haraguchi
President and Representative Director

CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries
September 30, 2009 and 2008

ASSETS	In millions of yen		In thousands of U.S. dollars
	2009	2008	2009
Current assets:			
Cash on hand and in banks	¥ 129,619	¥ 139,543	\$ 1,440,211
Cash deposits for armored car services	51,643	56,577	573,811
Call loans	27,000	22,000	300,000
Notes and accounts receivable, trade	50,790	61,220	564,333
Due from subscribers	19,751	20,268	219,455
Short-term investments	28,004	14,154	311,155
Lease receivables and investment in leased assets	14,722	—	163,577
Merchandise and products	11,752	13,065	130,577
Real estate inventories	7,473	16,945	83,033
Work in process	2,109	2,663	23,433
Costs on uncompleted construction contracts	10,462	9,935	116,244
Work in process for real estate inventories	60,552	67,922	672,800
Raw materials and supplies	6,317	6,104	70,188
Deferred income taxes	11,989	11,915	133,211
Short-term loans receivable	2,200	7,495	24,444
Other	15,444	14,199	171,600
Allowance for doubtful accounts	(2,195)	(1,899)	(24,388)
Total current assets	447,637	462,110	4,973,744
Fixed assets:			
Tangible assets:			
Buildings and improvements	100,852	87,589	1,120,577
Security equipment and control stations	66,563	67,956	739,588
Land	92,143	86,086	1,023,811
Other	18,762	35,976	208,466
Intangible assets	23,078	23,052	256,422
Investments and others:			
Investment securities	204,745	231,694	2,274,944
Long-term loans receivable	52,094	57,427	578,822
Prepaid pension and severance costs	18,719	18,339	207,988
Deferred income taxes	21,566	26,284	239,622
Other	45,470	47,695	505,222
Allowance for doubtful accounts	(19,773)	(17,899)	(219,700)
Total fixed assets	624,223	664,201	6,935,811
Deferred assets	282	367	3,133
Total assets	¥1,072,143	¥1,126,679	\$11,912,700

LIABILITIES	In millions of yen		In thousands of U.S. dollars
	2009	2008	2009
Current liabilities:			
Notes and accounts payable, trade	¥ 22,272	¥ 26,039	\$ 247,466
Bank loans	51,104	79,441	567,822
Current portion of straight bonds	4,901	1,756	54,455
Lease obligations	184	—	2,044
Payables—other	22,069	20,852	245,211
Accrued income taxes	20,228	22,779	224,755
Accrued consumption taxes	2,546	2,421	28,288
Accrued expenses	3,298	3,584	36,644
Deferred revenue	33,680	33,433	374,222
Accrued bonuses	12,385	12,252	137,611
Reserve for litigation losses	2,475	—	27,500
Provision for loss on construction contracts	141	—	1,566
Other	41,825	44,126	464,722
Total current liabilities	217,114	246,687	2,412,377
Long-term liabilities:			
Straight bonds	11,929	16,831	132,544
Long-term loans	15,152	20,678	168,355
Lease obligations	618	—	6,866
Guarantee deposits received	35,562	33,610	395,133
Deferred income taxes	4,940	4,986	54,888
Accrued pension and severance costs	13,602	15,670	151,133
Accrued retirement benefits for directors and corporate auditors	2,270	2,145	25,222
Investment deposits by policyholders, unearned premiums and other insurance liabilities	166,974	165,832	1,855,266
Other	1,360	1,037	15,111
Total long-term liabilities	252,409	260,792	2,804,544
Total liabilities	469,524	507,480	5,216,933
NET ASSETS			
Shareholders' equity:			
Common stock	66,377	66,377	737,522
Capital surplus	83,054	83,055	922,822
Retained earnings	485,973	469,801	5,399,700
Common stock in treasury, at cost	(74,902)	(44,891)	(832,244)
Total shareholders' equity	560,502	574,344	6,227,800
Valuation, translation adjustments and others:			
Unrealized gains (losses) on securities	4,222	(2,393)	46,911
Deferred losses on hedges	(21)	(22)	(233)
Foreign currency translation adjustments	(26,480)	(15,944)	(294,222)
Total valuation, translation adjustments and others	(22,280)	(18,361)	(247,555)
Minority interests in subsidiaries	64,397	63,216	715,522
Total net assets	602,619	619,199	6,695,766
Total liabilities and net assets	¥1,072,143	¥1,126,679	\$11,912,700

CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries

Six-month periods ended September 30, 2009 and 2008

	In millions of yen		In thousands of U.S. dollars
	2009	2008	2009
Revenue	¥312,765	¥324,219	\$3,475,166
Costs of revenue	193,525	212,155	2,150,277
Gross profit	119,240	112,063	1,324,888
Selling, general and administrative expenses	70,300	72,676	781,111
Operating profit	48,940	39,387	543,777
Non-operating income	5,401	6,440	60,011
Non-operating expenses	6,057	4,205	67,300
Ordinary profit	48,284	41,621	536,488
Extraordinary profit	861	499	9,566
Extraordinary loss	1,226	8,230	13,622
Income before income taxes	47,919	33,889	532,433
Income taxes—current	20,160	22,696	224,000
Income taxes—deferred	(426)	(3,495)	(4,733)
Minority interest in subsidiaries	2,034	1,732	22,600
Net income	¥ 26,150	¥ 12,957	\$ 290,555

BUSINESS SEGMENT INFORMATION

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

In thousands
of U.S. dollars

Revenue:	In millions of yen		2009
	2009	2008	
Security services			
Customers	¥204,786	¥213,120	\$2,275,400
Intersegment	4,446	4,501	49,400
	209,233	217,621	2,324,811
Fire protection services			
Customers	32,719	37,765	363,544
Intersegment	1,871	3,255	20,788
	34,591	41,020	384,344
Medical services			
Customers	18,258	17,025	202,866
Intersegment	61	61	677
	18,319	17,087	203,544
Insurance services			
Customers	15,691	15,495	174,344
Intersegment	1,454	1,487	16,155
	17,146	16,982	190,511
Geographic information services			
Customers	16,886	15,623	187,622
Intersegment	59	31	655
	16,946	15,654	188,288
Real estate development and sales			
Customers	5,619	4,772	62,433
Intersegment	—	—	—
	5,619	4,772	62,433
Information and communication related and other services			
Customers	18,803	20,416	208,922
Intersegment	3,802	4,241	42,244
	22,605	24,657	251,166
Total	324,461	337,797	3,605,122
Eliminations	(11,695)	(13,578)	(129,944)
Total revenue	¥312,765	¥324,219	\$3,475,166

Operating profit (loss):	In millions of yen		2009
	2009	2008	
Security services	¥50,121	¥52,320	\$556,900
Fire protection services	976	2,872	10,844
Medical services	1,127	737	12,522
Insurance services	1,079	(340)	11,988
Geographic information services	(426)	(1,341)	(4,733)
Real estate development and sales	(401)	(11,082)	(4,455)
Information and communication related and other services	2,647	2,735	29,411
Total	55,123	45,901	612,477
Corporate expenses and eliminations	(6,182)	(6,514)	(68,688)
Total operating profit	¥48,940	¥39,387	\$543,777

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 ¥90=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2009.

DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

Directors

Founder:

Makoto Iida

Co-Founder:

Juichi Toda

Chairman:

Shohei Kimura

President and Representative Director:

Kanemasa Haraguchi*

Executive Vice Presidents:

Shuji Maeda*

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

Kanemasa Haraguchi

President and

Representative Director

Shuji Maeda

Executive Vice President

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

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

*At the meeting of the Board of Directors on November 16, 2009, Shuji Maeda was appointed president and representative director and Kanemasa Haraguchi executive vice chairman, effective January 1, 2010

(As of November 30, 2009)



SECOM CO., LTD.

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