



**SECOM**

## **SEMIANNUAL REPORT 2012**

For the Six-month Period Ended September 30, 2012



**SECOM**



## PROFILE

**F**ounded on July 7, 1962, SECOM CO., LTD., a pioneer in Japan's security services industry, has developed a wide range of systems and services that respond to changing social imperatives. At the same time, SECOM—comprising the parent company and the companies of the SECOM Group—has worked to encourage broad acceptance of the concept of security services in Japan. Such efforts have enabled SECOM to achieve steady growth.

Today, our overarching mission is to provide safety and security for people whenever and wherever necessary. Accordingly, SECOM is pressing ahead with efforts to realize its vision for the future, the Social System Industry, which depicts a framework of distinctive, integrated products and services that make life more secure, convenient and comfortable. To this end, SECOM is leveraging its extensive business portfolio—which includes fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services—to create a solid foundation for future growth. SECOM also provides security and other services in 19 other countries and territories in Asia, Europe, Oceania and the Americas, and continues working to further grow its overseas business by providing customers with services of the same high quality as those it extends in Japan.

With the aim of rallying Group strengths and maximizing synergies, SECOM continues to promote the “ALL SECOM” concept, which emphasizes advancing cooperation among its various businesses to create distinctive packages of services and systems that will help make SECOM an ever-present, indispensable and trusted part of life for customers everywhere.

*Notes: 1. Comparisons of operating results in this semiannual report are between the six-month periods ended September 30, 2012 and 2011.*

*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, 2012, 2011 and 2010

	In millions of yen			In thousands of U.S. dollars
	2012	2011	2010	2012
Revenue .....	<b>¥362,175</b>	¥319,144	¥315,499	<b>\$4,643,269</b>
Operating profit .....	<b>50,355</b>	48,913	47,916	<b>645,576</b>
Ordinary profit .....	<b>53,647</b>	51,687	51,316	<b>687,782</b>
Net income .....	<b>31,713</b>	27,999	28,712	<b>406,576</b>
Net income per share (yen and U.S. dollars) .....	<b>¥ 145.29</b>	¥ 128.34	¥ 131.69	<b>\$ 1.86</b>

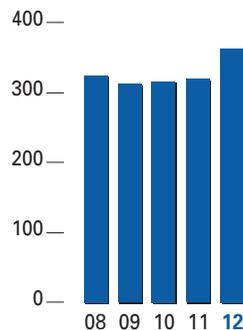
Notes: 1. Net income per share figures are in exact yen and U.S. dollars.

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 ¥78=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2012.

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

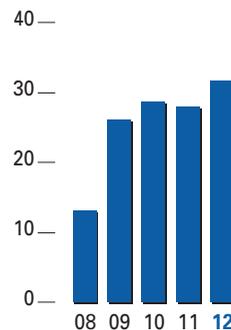
## Consolidated Revenue

(In billions of yen)



## Consolidated Net Income

(In billions of yen)



# TO OUR SHAREHOLDERS

## Operating Results

Forecasts originally called for a gradual recovery in the Japanese economy in the six-month period ended September 30, 2012, owing to reconstruction-related demand in the wake of the Great East Japan Earthquake, which struck on March 11, 2011. Nonetheless, prospects remained clouded, hindered by persistent economic uncertainty in the People's Republic of China (PRC) and Europe, the appreciation of the yen and deflationary conditions in Japan.

In this environment, we continued working to respond to increasingly diverse and sophisticated needs for security and peace of mind—in line with our overarching mission to provide safety and security for people whenever and wherever necessary—with the aim of realizing our Social System Industry vision. To this end, we focused on offering high-grade products in our mainstay security services segment, as well as in our other segments: fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services. We also pressed forward with efforts to apply the ALL SECOM concept, which emphasizes cooperation among our various independent businesses to strengthen the Group as a whole and ensure a better grasp of customers' expectations, with a view to hastening our advance to a new stage of growth.

Calculated according to accounting principles generally accepted in Japan (Japanese GAAP), consolidated revenue in the period under review increased 13.5%, to a record ¥362.1 billion, reflecting brisk results in the security services segment, the contribution of newly consolidated subsidiary Nittan Co., Ltd., to revenue in the fire protection services segment and a solid improvement in the real estate development and sales segment. We also set new profit records as consolidated operating profit advanced 2.9%, to ¥50.3 billion, consolidated ordinary profit rose 3.8%, to ¥53.6 billion, and consolidated net income increased 13.3%, to ¥31.7 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 a wide range of security products, including access control systems, closed-circuit television (CCTV) surveillance systems, automated fire extinguishing systems and external monitoring systems. In addition to Japan, we offer high-grade security services to customers in key overseas markets through a network of overseas subsidiaries and affiliates.

In the period under review, revenue in the security services segment increased 3.8%, to ¥213.7 billion, reflecting brisk sales

of on-line commercial and home security systems and of security products. Operating profit advanced 3.3%, to ¥51.1 billion. In Japan, sales were bolstered by expanded marketing efforts aimed at reinforcing security levels for subscribers and encouraging them to install high-value-added systems. These include CCTV surveillance and access control systems for commercial security subscribers and SECOM Home Security G-Custom, an advanced system that combines residential security with a variety of other services for home security subscribers.

### Fire Protection Services

This segment focuses on tailored 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. Despite a harsh operating environment, revenue in this segment climbed 50.6%, to ¥48.7 billion, owing to contributions from subsidiary Nittan, newly consolidated in April 2012, and to persistent marketing activities. In contrast, operating profit fell 28.4%, to ¥923 million, a consequence mainly of intensifying competition. Revenue in this segment tends to increase toward the end of the period, 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—comprising pharmaceutical dispensing and home nursing services—as well as the operation of residences for seniors, electronic medical report systems, sales of medical equipment, personal care services, the leasing of real estate for medical institutions, and a variety of other businesses. Segment revenue slipped 1.7%, to ¥20.5 billion, owing primarily to a decrease in revenue in the home medical services business as a result of the revision of drug reimbursement prices—the official prices for prescription drugs under Japan's National Health Insurance (NHI) scheme. Nonetheless, operating profit rose 6.8%, to ¥1.9 billion, bolstered by a reduced cost-of-revenue ratio and a decrease in selling, general and administrative (SG&A) expenses, the latter attributable mainly to the absence of amortization of goodwill.

In October 2012, we opened Alive Setagaya Daita, a residence for seniors in Tokyo that is also equipped to function as an evacuation center in the event of a major disaster.

### Insurance Services

In addition to security services, which are preventative by nature, we offer non-life insurance, which looks after customers in the event of misfortune. Our 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 for cancer. Revenue in the insurance services segment edged down 0.1%, to ¥17.5 billion, reflecting a decrease in net investment gains, despite firm sales of MEDCOM and

fire insurance policies. The segment's operating loss increased to ¥1.6 billion, from ¥211 million in the corresponding period of the previous fiscal year. This was due largely to an increase in the provision of the reserve for natural disasters prompted by an upsurge in outstanding fire insurance claims ascribed to localized severe rainstorms.

### **Geographic Information Services**

The geographic information services segment includes the use of highly advanced measuring equipment and surveying technologies to provide a variety of geographic information system (GIS) services to customers in Japan and overseas. In the period under review, revenue in this segment advanced 4.7%, to ¥23.1 billion, spurred by firm sales to both public- and private-sector entities in Japan and to overseas customers. Operating profit fell 9.5%, to ¥950 million, owing principally to increases in labor costs resulting from the expansion of our operations and expenses for the development of information systems. 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.

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

This segment centers on the development and sales of condominiums that are equipped with sophisticated security, contingency planning and disaster protection features. In the period under review, segment revenue soared to ¥20.0 billion, from ¥3.0 billion in the six-month period ended September 30, 2011. The segment also posted operating profit of ¥2.0 billion, compared with an operating loss of ¥295 million in the corresponding period of the previous fiscal year. These results primarily reflected the launch of new large-scale condominiums in the second quarter, as well as focused efforts to sell and deliver finished condominiums with the aim of clearing inventories.

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

This segment consists primarily of information and communication related services—including information security systems and network services, which protect subscribers' information in the event of a major disaster—and real estate leasing. In the period under review, revenue rose 7.2%, to ¥18.4 billion, and operating profit increased 12.5%, to ¥2.7 billion, bolstered mainly by an increase in subscriptions for Secure Data Center services, part of the information and communication related services business.

### **Looking Forward**

The fiscal year ending March 31, 2013, is SECOM's 50th year in business. While this anniversary is certainly an occasion for celebration, we see it as merely a transit point on our journey toward realizing our Social System Industry vision. This vision depicts a framework of distinctive products and services—offered both individually and in tailored packages—that deliver security and

peace of mind and help make life more convenient and comfortable. Guided by the ALL SECOM concept, we will accelerate efforts both in Japan and overseas to develop and market systems and services that respond to evolving security needs. Efforts to hasten the realization of our vision will focus mainly on four key themes: security, the rapid aging of society, disaster protection and the environment.

We see enhancing our data center capabilities as a particularly crucial challenge. To this end, we are working to transform our data center business—the purpose of which currently focuses on the storage of important confidential information—into a “service center” business, which will enable us to provide more extensive information-related services. Recognizing that our existing Secure Data Center facilities are insufficient to facilitate this shift in focus, in October 2012 we acquired a 50.882% stake (170,526 outstanding shares of common stock) in At Tokyo Corporation—Japan's leading data center services firm in terms of facility floor space—from Tokyo Electric Power Company, Inc. As a consolidated subsidiary, At Tokyo will further strengthen our data center business, a crucial component of the Social System Industry, enabling us to function as a comprehensive “service center” that not only offers the safe storage and effective management of crucial data, but also serves as a foundation for the development of a broad array of distinctive, value-added services.

Where before we sought to encourage people to turn to SECOM with the confidence that doing so would help them resolve security and other concerns, going forward our focus will be on making SECOM an ever-present, indispensable and trusted part of life for customers everywhere. As always, our success will depend on our ability to respond to their expectations. In line with our original corporate philosophy, which emphasizes challenging accepted norms to create innovative and better-suited solutions, and our corporate message—“Providing reliable peace of mind”—we pledge to work as one to contribute to society. In all of our endeavors, we look forward to the ongoing support of our shareholders.

December 2012



Makoto Iida  
Founder



Shohei Kimura  
Chairman



Shuji Maeda  
President and Representative Director

# CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries  
September 30, 2012 and 2011

ASSETS	In millions of yen		In thousands of U.S. dollars
	2012	2011	2012
<b>Current assets:</b>			
Cash on hand and in banks .....	¥ 200,773	¥ 172,502	\$ 2,574,012
Cash deposits for armored car services .....	52,900	52,703	678,205
Call loans .....	40,000	37,500	512,820
Notes and accounts receivable, trade .....	70,889	60,052	908,833
Due from subscribers .....	21,906	22,846	280,846
Short-term investments .....	22,978	16,666	294,589
Lease receivables and investment in leased assets .....	15,327	15,645	196,500
Merchandise and products .....	11,978	11,353	153,564
Real estate inventories .....	10,982	9,261	140,794
Work in process .....	2,853	2,806	36,576
Costs on uncompleted construction contracts .....	7,436	7,868	95,333
Work in process for real estate inventories .....	16,359	48,334	209,730
Raw materials and supplies .....	7,119	5,924	91,269
Deferred income taxes .....	12,760	12,047	163,589
Short-term loans receivable .....	3,161	3,382	40,525
Other .....	12,783	14,595	163,884
Allowance for doubtful accounts .....	(1,566)	(1,531)	(20,076)
Total current assets .....	508,646	491,961	6,521,102
<b>Fixed assets:</b>			
Tangible assets:			
Buildings and improvements .....	98,997	102,999	1,269,192
Security equipment and control stations .....	69,469	65,619	890,628
Land .....	108,973	98,567	1,397,089
Other .....	26,485	19,415	339,551
Intangible assets .....	25,798	25,373	330,743
Investments and others:			
Investment securities .....	169,938	168,590	2,178,692
Long-term loans receivable .....	44,643	46,771	572,346
Prepaid pension and severance costs .....	19,366	18,881	248,282
Deferred income taxes .....	16,165	20,460	207,243
Other .....	43,323	42,179	555,423
Allowance for doubtful accounts .....	(17,584)	(17,717)	(225,435)
Total fixed assets .....	605,579	591,142	7,763,833
Deferred assets .....	8	52	102
<b>Total assets</b> .....	<b>¥1,114,234</b>	<b>¥1,083,156</b>	<b>\$14,285,051</b>

LIABILITIES	In millions of yen		In thousands of U.S. dollars
	2012	2011	2012
<b>Current liabilities:</b>			
Notes and accounts payable, trade .....	¥ 30,692	¥ 24,928	\$ 393,487
Bank loans .....	41,542	40,131	532,589
Current portion of straight bonds .....	6,969	4,963	89,346
Lease obligations .....	543	361	6,961
Payables—other .....	22,937	19,994	294,064
Accrued income taxes .....	20,386	20,947	261,358
Accrued consumption taxes .....	3,585	2,575	45,961
Accrued expenses .....	4,178	3,761	53,564
Deferred revenue .....	30,280	31,291	388,205
Accrued bonuses .....	13,144	12,335	168,512
Reserve for losses on construction contracts .....	1,273	622	16,320
Other .....	38,406	35,390	492,384
Total current liabilities .....	213,942	197,304	2,742,846
<b>Long-term liabilities:</b>			
Straight bonds .....	7,942	11,346	101,820
Long-term loans .....	9,017	13,887	115,602
Lease obligations .....	3,355	2,963	43,012
Guarantee deposits received .....	36,057	38,317	462,269
Deferred income taxes .....	8,683	8,924	111,320
Accrued pension and severance costs .....	16,149	12,803	207,038
Accrued retirement benefits for directors and corporate auditors .....	2,748	2,405	35,230
Investment deposits by policyholders, unearned premiums and other insurance liabilities .....	130,767	130,641	1,676,500
Other .....	1,837	1,614	23,551
Total long-term liabilities .....	216,560	222,905	2,776,410
Total liabilities .....	430,502	420,209	5,519,256
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock .....	66,377	66,377	850,987
Capital surplus .....	83,054	83,054	1,064,794
Retained earnings .....	577,330	557,772	7,401,666
Common stock in treasury, at cost .....	(73,661)	(73,656)	(944,371)
Total shareholders' equity .....	653,101	633,547	8,373,089
<b>Accumulated other comprehensive income:</b>			
Unrealized gains on securities .....	2,279	1,412	29,217
Deferred losses on hedges .....	(41)	(27)	(525)
Foreign currency translation adjustments .....	(36,432)	(33,420)	(467,076)
Total accumulated other comprehensive income .....	(34,194)	(32,035)	(438,384)
Minority interests in subsidiaries .....	64,825	61,434	831,089
Total net assets .....	683,732	662,946	8,765,794
<b>Total liabilities and net assets .....</b>	<b>¥1,114,234</b>	<b>¥1,083,156</b>	<b>\$14,285,051</b>

## CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries  
Six-month periods ended September 30, 2012 and 2011

	In millions of yen		In thousands of U.S. dollars
	2012	2011	2012
Revenue .....	<b>¥362,175</b>	¥319,144	<b>\$4,643,269</b>
Costs of revenue .....	<b>237,330</b>	200,876	<b>3,042,692</b>
Gross profit .....	<b>124,845</b>	118,268	<b>1,600,576</b>
Selling, general and administrative expenses .....	<b>74,490</b>	69,355	<b>955,000</b>
Operating profit .....	<b>50,355</b>	48,913	<b>645,576</b>
Non-operating income .....	<b>5,971</b>	6,305	<b>76,551</b>
Non-operating expenses .....	<b>2,679</b>	3,531	<b>34,346</b>
Ordinary profit .....	<b>53,647</b>	51,687	<b>687,782</b>
Extraordinary profit .....	<b>258</b>	221	<b>3,307</b>
Extraordinary losses .....	<b>768</b>	1,117	<b>9,846</b>
Income before income taxes .....	<b>53,137</b>	50,791	<b>681,243</b>
Income taxes—current .....	<b>20,142</b>	20,873	<b>258,230</b>
Income taxes—deferred .....	<b>(368)</b>	258	<b>(4,717)</b>
Net income before minority interests in subsidiaries .....	<b>33,363</b>	29,660	<b>427,730</b>
Minority interests in subsidiaries .....	<b>1,649</b>	1,660	<b>21,141</b>
Net income .....	<b>¥ 31,713</b>	¥ 27,999	<b>\$ 406,576</b>

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SECOM CO., LTD. and Subsidiaries  
Six-month periods ended September 30, 2012 and 2011

	In millions of yen		In thousands of U.S. dollars
	2012	2011	2012
<b>Net income before minority interests in subsidiaries</b> .....	<b>¥33,363</b>	¥29,660	<b>\$427,730</b>
<b>Other comprehensive income:</b>			
Unrealized losses on securities .....	<b>(2,334)</b>	(817)	<b>(29,923)</b>
Deferred gains on hedges .....	<b>—</b>	5	<b>—</b>
Foreign currency translation adjustments .....	<b>665</b>	(34)	<b>8,525</b>
Share of other comprehensive income of affiliated companies accounted for under the equity method .....	<b>467</b>	900	<b>5,987</b>
Total other comprehensive income .....	<b>(1,201)</b>	54	<b>(15,397)</b>
<b>Comprehensive income</b> .....	<b>32,161</b>	29,714	<b>412,320</b>
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent company .....	<b>30,544</b>	27,974	<b>391,589</b>
Comprehensive income attributable to minority interests .....	<b>1,616</b>	1,740	<b>20,717</b>

## BUSINESS SEGMENT INFORMATION

SECOM CO., LTD. and Subsidiaries  
Six-month periods ended September 30, 2012 and 2011

In thousands  
of U.S. dollars

	In millions of yen		In thousands of U.S. dollars
	2012	2011	2012
<b>Revenue:</b>			
Security services			
Customers .....	¥213,781	¥205,981	\$2,740,782
Intersegment .....	5,445	5,227	69,807
	<b>219,226</b>	211,208	<b>2,810,589</b>
Fire protection services			
Customers .....	48,757	32,378	625,089
Intersegment .....	2,133	1,987	27,346
	<b>50,891</b>	34,365	<b>652,448</b>
Medical services			
Customers .....	20,550	20,904	263,461
Intersegment .....	80	80	1,025
	<b>20,631</b>	20,985	<b>264,500</b>
Insurance services			
Customers .....	17,502	17,515	224,384
Intersegment .....	1,444	1,465	18,512
	<b>18,947</b>	18,980	<b>242,910</b>
Geographic information services			
Customers .....	23,112	22,080	296,307
Intersegment .....	55	51	705
	<b>23,168</b>	22,131	<b>297,025</b>
Real estate development and sales			
Customers .....	20,006	3,059	256,487
Intersegment .....	1,568	449	20,102
	<b>21,574</b>	3,508	<b>276,589</b>
Information and communication related and other services			
Customers .....	18,464	17,224	236,717
Intersegment .....	3,043	2,716	39,012
	<b>21,507</b>	19,941	<b>275,730</b>
Total .....	<b>375,947</b>	331,122	<b>4,819,833</b>
Adjustment .....	<b>(13,771)</b>	(11,977)	<b>(176,551)</b>
<b>Consolidated revenue</b> .....	<b>¥362,175</b>	¥319,144	<b>\$4,643,269</b>

	In millions of yen		In thousands of U.S. dollars
	2012	2011	2012
<b>Operating profit (loss):</b>			
Security services .....	¥51,156	¥49,524	\$655,846
Fire protection services .....	923	1,290	11,833
Medical services .....	1,973	1,847	25,294
Insurance services .....	(1,649)	(211)	(21,141)
Geographic information services .....	950	1,049	12,179
Real estate development and sales .....	2,096	(295)	26,871
Information and communication related and other services .....	2,739	2,435	35,115
Total .....	<b>58,190</b>	55,641	<b>746,025</b>
Adjustment .....	<b>(7,835)</b>	(6,727)	<b>(100,448)</b>
<b>Consolidated operating profit</b> .....	<b>¥50,355</b>	¥48,913	<b>\$645,576</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 ¥78=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2012.

# DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

## Directors

### **Founder:**

Makoto Iida

### **Co-Founder:**

Juichi Toda

### **Chairman:**

Shohei Kimura

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

Shuji Maeda

### **Executive Vice President:**

Koichi Sato

### **Executive Directors:**

Yasuo Nakayama

Hiroshi Ito

Kazuaki Anzai

### **Directors:**

Kanemasa Haraguchi

Yasuyuki Yoshida

Junzo Nakayama

## Corporate Auditors

Seiji Sakamoto

Katsuhisa Kuwahara

Ken Tsunematsu

Kohei Yamashita

Hideki Kato

## Executive Officers

Shuji Maeda

*President and*

*Representative Director*

Koichi Sato

*Executive Vice President*

Yasuo Nakayama

*Executive Director*

Hiroshi Ito

*Executive Director*

Kazuaki Anzai

*Executive Director*

Shunji Ogahara

*Managing Executive Officer*

Naohide Nakamura

*Managing Executive Officer*

Yasuyuki Yoshida

*Director*

Junzo Nakayama

*Director*

Takayuki Ito

*Executive Officer*

Minoru Takaoka

*Executive Officer*

Hideo Morishita

*Executive Officer*

Tsuneo Komatsuzaki

*Executive Officer*

Ryohei Komatsu

*Executive Officer*

Yukio Tsunoda

*Executive Officer*

Masahiro Takeda

*Executive Officer*

Teruhisa Yoshimura

*Executive Officer*

Keitaro Arai

*Executive Officer*

Tatsuro Fuse

*Executive Officer*

Hiromichi Sonoda

*Executive Officer*

Toshiyuki Mukai

*Executive Officer*

Hiroshi Ishikawa

*Executive Officer*

Kenichi Furukawa

*Executive Officer*

Yoichi Sugimoto

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Tatsuya Izumida

*Executive Officer*



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