

SECOM

SEMIANNUAL REPORT 2013

For the Six-month Period Ended September 30, 2013



PROFILE

Founded in 1962, SECOM CO., LTD., a pioneer in Japan's security services industry, has sought to develop and encourage broad acceptance of its innovative, integrated services and systems, in line with its belief in the importance of contributing to society through its business activities by delivering security and peace of mind. Such efforts have enabled SECOM—comprising the parent company and the companies of the SECOM Group—to achieve steady growth.

Today, SECOM's overarching mission is to provide safety and security for people whenever and wherever necessary. Accordingly, the Company is pressing ahead with efforts to realize its vision for the future, the Social System Industry, which describes a framework of distinctive, integrated services and systems that make life more secure, convenient and comfortable. To this end, SECOM is capitalizing on its extensive business portfolio—which has expanded to include security services, fire protection services, medical services, insurance services, geographic information services, information and communication related services and real estate and other services—and working not only to enhance individual businesses, but also to integrate services and systems, thereby yielding considerable synergies that will drive future growth. With the aim of maximizing these synergies, SECOM continues to promote the "ALL SECOM" concept, which focuses on rallying Group strengths to create uniquely SECOM systems and services that enhance convenience and comfort and deliver security and peace of mind, thereby ensuring that SECOM remains an indispensable, ever-present and trusted part of life for customers everywhere.

SECOM is also strengthening its operations outside Japan. Currently active in 20 other countries and territories in Asia, Europe, Oceania and the Americas, SECOM is providing high-quality security services, fire protection services, medical services and geographic information services customized to reflect local needs and sensibilities.

- Notes: 1. Comparisons of operating results in this semiannual report are between the six-month periods ended September 30, 2013 and 2012.*
- 2. SECOM's semiannual report presents information on its consolidated operating results, calculated in accordance with accounting principles generally accepted in Japan (Japanese GAAP).*
- 3. Effective from the six-month period ended September 30, 2013, information and communication related services—the principal component of the information and communication related and other services segment—have been separated out as an independent segment. The information and communication related and other services segment's remaining businesses have been merged into the real estate development and sales segment, which has been renamed real estate and other services. Revenue and operating profit (loss) for the six-month period ended September 30, 2012, have been reclassified to conform to the current presentation.*

CONSOLIDATED FINANCIAL HIGHLIGHTS

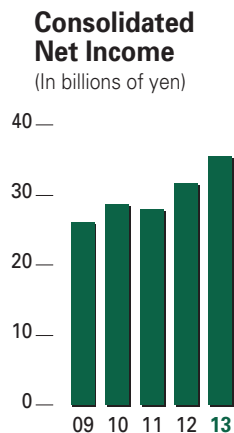
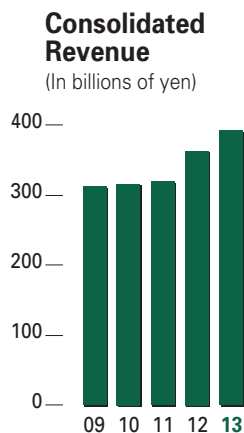
SECOM CO., LTD. and Subsidiaries
Six-month periods ended September 30, 2013, 2012 and 2011

	In millions of yen			In thousands of U.S. dollars
	2013	2012	2011	2013
Revenue	¥392,319	¥362,175	¥319,144	\$4,003,255
Operating profit	56,799	50,355	48,913	579,581
Ordinary profit	62,403	53,647	51,687	636,765
Net income	35,445	31,713	27,999	361,683
Net income per share (yen and U.S. dollars)	¥ 162.39	¥ 145.29	¥ 128.34	\$ 1.65

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 ¥98=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2013.

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



TO OUR SHAREHOLDERS

Operating Results

The six-month period ended September 30, 2013, brought the beginning of a gradual recovery in the Japanese economy, as the positive impact of government stimulus measures contributed to an improvement in corporate earnings, signs of an upturn in the employment situation and a rally in consumer spending.

In this environment, we continued addressing 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 concentrated 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, information and communication related services, and real estate 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, 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 8.3%, to a record ¥392.3 billion. We also set new profit records as consolidated operating profit advanced 12.8%, to ¥56.7 billion, while consolidated ordinary profit rose 16.3%, to ¥62.4 billion and consolidated net income increased 11.8%, to ¥35.4 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 closed-circuit television (CCTV) surveillance systems, access control systems, automated fire extinguishing systems and external monitoring systems. Overseas, we offer high-grade security services through a network of subsidiaries and affiliates in key markets.

In the period under review, revenue in the security services segment increased 6.7%, to ¥228.1 billion, reflecting healthy sales of on-line commercial and home security systems and of security products. Operating profit advanced 3.7%, to ¥53.0 billion. Results were bolstered by expanded marketing efforts aimed at reinforcing security levels for commercial security subscribers and encouraging them to install high-value-added systems, including facility control and access control systems. For commercial subscribers in Japan, we expanded sales of SECOM AX, a remote-imaging on-line security system that

features advanced image recognition technologies. We also enhanced high-value-added systems equipped with access control functions that help improve business efficiency and reduce labor and other costs or with facility control functions that help conserve energy. For home security subscribers, we also took steps to bolster sales of SECOM Home Security G-Custom, an advanced residential security system that combines SECOM Home Security with a variety of other services to provide security and peace of mind, as well as greater comfort and convenience.

Fire Protection Services

This segment centers 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. Revenue in this segment edged up 1.5%, to ¥49.5 billion. Operating profit climbed 129.2%, to ¥2.1 billion, owing mainly to successful efforts to reduce cost of sales. Revenue in this segment tends to increase 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 a variety of businesses, including home medical services—comprising pharmaceutical dispensing and home nursing services—as well as sales of pharmaceuticals and medical equipment, 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 medical institutions. Segment revenue increased 35.7%, to ¥27.8 billion, owing primarily to robust sales of pharmaceuticals and medical equipment. Operating profit rose 13.7%, to ¥2.2 billion.

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. Despite brisk sales of MEDCOM and fire insurance policies, revenue in the insurance services segment edged down 1.9%, to ¥17.1 billion, primarily reflecting a decrease in reversal of unearned premiums and other insurance liabilities for a new type of insurance policy. Nonetheless, the segment reported an operating profit of ¥52 million, compared with an operating loss of ¥1.6 billion in the corresponding period of the previous fiscal year, as insurance underwriting expenses declined, reflecting a decrease in the provision of reserves for natural disasters.

Geographic Information Services

Our geographic information services segment includes the use of highly advanced measuring equipment and surveying technologies to provide a variety of geospatial information services to public and private sector customers in Japan. We also extend geospatial information services to government agencies overseas, including in emerging economies and developing countries. In the period under review, revenue in this segment advanced 2.8%, to ¥23.7 billion, spurred by firm sales to public-sector entities in Japan. Operating profit rose 12.7%, to ¥1.0 billion, owing principally to a decline in cost of sales. 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.

Information and Communication Related Services

This segment consists primarily of information and communication related services, focusing on data center services, as well as uniquely SECOM business continuity planning (BCP) support services, information security services and cloud-based services. In the period under review, revenue soared 163.8%, to ¥23.2 billion, and operating profit climbed 135.5%, to ¥2.7 billion. Results were bolstered mainly by contributions from At Tokyo Corporation, one of Japan's leading data center services firms, which became a consolidated subsidiary on October 31, 2012.

Real Estate and Other Services

The real estate and other services segment encompasses the development and sales of condominiums equipped with sophisticated security, contingency planning and disaster protection features, and real estate leasing. In the period under review, segment revenue fell 23.6%, to ¥22.6 billion, primarily attributable to a decrease in sales of condominiums. As a consequence, operating profit declined 22.6%, to ¥2.8 billion.

Looking Forward

Guided by the ALL SECOM concept, we will continue working to realize our Social System Industry vision by providing uniquely SECOM systems and services that make life more comfortable and convenient and deliver security and peace of mind by responding to social imperatives and helping to resolve everyday concerns. Such systems and services will ensure our position as an ever-present indispensable part of our customers' lives, thus enabling us to achieve steady growth in corporate value.

In response to the changing face of Japanese society, we are leveraging our expertise in providing security services. We are also rallying SECOM Group strengths to develop and market new systems and services in line with two additional key themes: super-aged society and disaster preparedness/BCP/environmental preservation. We are also accelerating the enhancement of our data center capabilities, crucial to our ability to make full use of the system infrastructure underpinning our extensive service menu.

In December 2012, efforts to develop new systems and services yielded a prototype autonomous small flying surveillance robot. In April 2013, we launched SECOM My Doctor Plus, an emergency medical alert system for seniors that enables them to send an emergency signal to SECOM from wherever they are, whether indoors or outside, to indicate that emergency assistance is required. If requested, we can also forward previously provided emergency information to the subscriber's portable device so it is immediately available to ambulance attendants and hospital staff and/or dispatch emergency response personnel who are trained to assist people who have fallen. With a view to launching the Real-Time Disaster Information Services, which includes the provision of highly reliable evacuation and BCP information, in September 2013 we established the SECOM *Anshin* Information Center. Two months earlier, in July, we opened the ALL SECOM-themed MIRAI Showroom, which uses advanced imaging technologies, rather than product exhibits, to convey the comprehensive capabilities of the SECOM Group. Focusing on the themes of security, super-aged society and disaster preparedness/BCP/environmental preservation, the MIRAI Showroom will facilitate collaboration with customers to resolve issues of concern and develop optimal services.

Going forward, we will continue to emphasize providing systems and services that reflect evolving social imperatives, changing patterns of criminal behavior and advances in imaging, information and communications technologies to develop forward-looking offerings that respond to the expectations of our customers. We particularly look forward to leveraging our accumulated expertise in the provision of security services at the 2020 Summer Olympic Games, which will be held in Tokyo. Accordingly, over the next seven years we will seek to maximize innovative technologies to create new systems and services and will work with companies in other industries to help ensure the success of this event.

In line with our corporate message—"Providing reliable peace of mind"—we pledge to work as one to realize our Social System Industry vision with the aim of achieving consistently steady growth. In all of our endeavors, we look forward to the ongoing support of our shareholders.

November 2013



Makoto Iida
Founder



Shuji Maeda
President and Representative Director

CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries
September 30, 2013 and 2012

ASSETS	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Current assets:			
Cash on hand and in banks	¥ 185,368	¥ 200,773	\$ 1,891,510
Cash deposits for armored car services	52,206	52,900	532,714
Call loans	23,000	40,000	234,693
Notes and accounts receivable, trade	79,448	70,889	810,693
Due from subscribers	23,841	21,906	243,275
Short-term investments	8,038	22,978	82,020
Lease receivables and investment in leased assets	27,094	15,327	276,469
Merchandise and products	12,806	11,978	130,673
Real estate inventories	4,456	10,982	45,469
Work in process	4,328	2,853	44,163
Costs on uncompleted construction contracts	9,786	7,436	99,857
Work in process for real estate inventories	13,878	16,359	141,612
Raw materials and supplies	6,720	7,119	68,571
Deferred income taxes	13,785	12,760	140,663
Short-term loans receivable	2,656	3,161	27,102
Other	14,150	12,783	144,387
Allowance for doubtful accounts	(1,719)	(1,566)	(17,540)
Total current assets	479,846	508,646	4,896,387
Fixed assets:			
Tangible assets:			
Buildings and improvements, net	155,694	98,997	1,588,714
Security equipment and control stations, net	69,716	69,469	711,387
Land	114,969	108,973	1,173,153
Other, net	24,169	26,485	246,622
Intangible assets	54,020	25,798	551,224
Investments and others:			
Investment securities	243,502	169,938	2,484,714
Long-term loans receivable	44,077	44,643	449,765
Prepaid pension and severance costs	19,997	19,366	204,051
Deferred income taxes	10,348	16,165	105,591
Other	44,394	43,323	453,000
Allowance for doubtful accounts	(16,664)	(17,584)	(170,040)
Total fixed assets	764,225	605,579	7,798,214
Deferred assets	26	8	265
Total assets	¥1,244,098	¥1,114,234	\$12,694,877

LIABILITIES	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Current liabilities:			
Notes and accounts payable, trade	¥ 32,960	¥ 30,692	\$ 336,326
Bank loans	38,704	41,542	394,938
Current portion of straight bonds	1,410	6,969	14,387
Lease obligations	573	543	5,846
Payables—other	24,764	22,937	252,693
Accrued income taxes	23,320	20,386	237,959
Accrued consumption taxes	3,096	3,585	31,591
Accrued expenses	4,619	4,178	47,132
Deferred revenue	31,875	30,280	325,255
Accrued bonuses	14,140	13,144	144,285
Provision for losses on construction contracts	1,324	1,273	13,510
Other	34,350	38,406	350,510
Total current liabilities	211,139	213,942	2,154,479
Long-term liabilities:			
Straight bonds	11,531	7,942	117,663
Long-term loans	19,282	9,017	196,755
Lease obligations	3,583	3,355	36,561
Guarantee deposits received	36,514	36,057	372,591
Deferred income taxes	12,898	8,683	131,612
Accrued pension and severance costs	17,025	16,149	173,724
Accrued retirement benefits for directors and audit & supervisory board members	1,503	2,748	15,336
Investment deposits by policyholders, unearned premiums and other insurance liabilities	137,563	130,767	1,403,704
Other	2,760	1,837	28,163
Total long-term liabilities	242,664	216,560	2,476,163
Total liabilities	453,803	430,502	4,630,642
NET ASSETS			
Shareholders' equity:			
Common stock	66,377	66,377	677,316
Capital surplus	83,054	83,054	847,489
Retained earnings	621,802	577,330	6,344,918
Common stock in treasury, at cost	(73,672)	(73,661)	(751,755)
Total shareholders' equity	697,562	653,101	7,117,979
Accumulated other comprehensive income:			
Unrealized gains on securities	13,297	2,279	135,683
Deferred losses on hedges	(34)	(41)	(346)
Foreign currency translation adjustments	(19,244)	(36,432)	(196,367)
Total accumulated other comprehensive income	(5,980)	(34,194)	(61,020)
Minority interests in subsidiaries	98,713	64,825	1,007,275
Total net assets	790,295	683,732	8,064,234
Total liabilities and net assets	¥1,244,098	¥1,114,234	\$12,694,877

CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries

Six-month periods ended September 30, 2013 and 2012

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Revenue	¥392,319	¥362,175	\$4,003,255
Costs of revenue	258,236	237,330	2,635,061
Gross profit	134,083	124,845	1,368,193
Selling, general and administrative expenses	77,283	74,490	788,602
Operating profit	56,799	50,355	579,581
Non-operating income	7,815	5,971	79,744
Non-operating expenses	2,211	2,679	22,561
Ordinary profit	62,403	53,647	636,765
Extraordinary profit	172	258	1,755
Extraordinary losses	127	768	1,295
Income before income taxes	62,448	53,137	637,224
Income taxes—current	22,929	20,142	233,969
Income taxes—deferred	7	(368)	71
Net income before minority interests in subsidiaries	39,510	33,363	403,163
Minority interests in subsidiaries	4,064	1,649	41,469
Net income	¥ 35,445	¥ 31,713	\$ 361,683

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SECOM CO., LTD. and Subsidiaries

Six-month periods ended September 30, 2013 and 2012

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Net income before minority interests in subsidiaries	¥39,510	¥33,363	\$403,163
Other comprehensive income:			
Unrealized gains (losses) on securities	1,490	(2,334)	15,204
Foreign currency translation adjustments	7,333	665	74,826
Share of other comprehensive income of affiliated companies accounted for under the equity method	2,278	467	23,244
Total other comprehensive income	11,102	(1,201)	113,285
Comprehensive income	50,612	32,161	516,448
Comprehensive income attributable to:			
Owners of the parent company	45,482	30,544	464,102
Minority interests	5,129	1,616	52,336

BUSINESS SEGMENT INFORMATION

SECOM CO., LTD. and Subsidiaries
Six-month periods ended September 30, 2013 and 2012

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Revenue:			
Security services			
Customers	¥228,110	¥213,781	\$2,327,653
Intersegment	6,654	5,445	67,897
	234,765	219,226	2,395,561
Fire protection services			
Customers	49,500	48,757	505,102
Intersegment	2,323	2,133	23,704
	51,823	50,891	528,806
Medical services			
Customers	27,883	20,550	284,520
Intersegment	77	80	785
	27,960	20,631	285,306
Insurance services			
Customers	17,178	17,502	175,285
Intersegment	1,536	1,444	15,673
	18,714	18,947	190,959
Geographic information services			
Customers	23,749	23,112	242,336
Intersegment	36	55	367
	23,786	23,168	242,714
Information and communication related services			
Customers	23,252	8,813	237,265
Intersegment	2,735	2,111	27,908
	25,987	10,925	265,173
Real estate and other services			
Customers	22,644	29,657	231,061
Intersegment	945	2,567	9,642
	23,590	32,224	240,714
Total	406,629	376,014	4,149,275
Adjustment	(14,309)	(13,838)	(146,010)
Consolidated revenue	¥392,319	¥362,175	\$4,003,255

	In millions of yen		In thousands of U.S. dollars
	2013	2012	2013
Operating profit (loss):			
Security services	¥53,034	¥51,156	\$541,163
Fire protection services	2,116	923	21,591
Medical services	2,244	1,973	22,897
Insurance services	52	(1,649)	530
Geographic information services	1,070	950	10,918
Information and communication related services	2,764	1,173	28,204
Real estate and other services	2,815	3,636	28,724
Total	64,098	58,165	654,061
Adjustment	(7,298)	(7,809)	(74,469)
Consolidated operating profit	¥56,799	¥50,355	\$579,581

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 ¥98=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2013.

DIRECTORS, AUDIT AND SUPERVISORY BOARD MEMBERS AND EXECUTIVE OFFICERS

Directors

Founder:

Makoto Iida

Co-Founder:

Juichi Toda

President and Representative Director:

Shuji Maeda

Executive Vice President:

Koichi Sato

Executive Directors:

Yasuo Nakayama

Hiroshi Ito

Kazuaki Anzai

Directors:

Yasuyuki Yoshida

Junzo Nakayama

Tatsuro Fuse

Kenichi Furukawa

Outside Directors:

Takaharu Hirose

Takashi Sawada

Audit and Supervisory Board Members

Seiji Sakamoto

Katsuhisa Kuwahara

Ken Tsunematsu*

Hideki Kato*

Kenichi Sekiya*

*Outside

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

Toshiyuki Mukai

Managing Executive Officer

Masahiro Takeda

Managing Executive Officer

Teruhisa Yoshimura

Managing Executive Officer

Yasuyuki Yoshida

Director

Junzo Nakayama

Director

Tatsuro Fuse

Director

Kenichi Furukawa

Director

Takayuki Ito

Executive Officer

Minoru Takaoka

Executive Officer

Hideo Morishita

Executive Officer

Tsuneo Komatsuzaki

Executive Officer

Ryohei Komatsu

Executive Officer

Keitaro Arai

Executive Officer

Hiromichi Sonoda

Executive Officer

Hiroshi Ishikawa

Executive Officer

Yoichi Sugimoto

Executive Officer

Tatsuya Izumida

Executive Officer

(As of November 30, 2013)



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