

SEMIANNUAL REPORT 2014

For the Six-month Period Ended September 30, 2014



PROFILE

Since its establishment in 1962, SECOM CO., LTD., a pioneer in Japan's security services industry, has sought to develop and encourage broad acceptance of pioneering services and systems that provide security and peace of mind, in line with its belief in the importance of contributing to society through its business activities.

Today, the overarching mission of SECOM—comprising the parent company and the companies of the SECOM Group—is to provide safety and security for people whenever and wherever necessary. Accordingly, we are pressing ahead with efforts to realize our 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. We have also capitalized on our 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 are working not only to enhance individual businesses, but also to integrate services and systems, thereby yielding considerable synergies to drive future growth.

We continue to maximize Group synergies to broaden the scope of our operations by promoting the “ALL SECOM” concept, which focuses on rallying Group strengths to create uniquely SECOM services and systems that enhance convenience and comfort and deliver security and peace of mind. Through these efforts, we seek to encourage people to turn to SECOM with the confidence that doing so will help them resolve security and other concerns.

We have also expanded outside Japan. Currently active in 21 countries and territories in Asia, Europe, Oceania and the Americas, where we provide high-quality security services, fire protection services, medical services and geographic information services customized to reflect local needs and sensibilities, we continue to strengthen and grow our overseas operations.

- Notes: 1. Comparisons of operating results in this semiannual report are between the six-month periods ended September 30, 2014 and 2013.*
- 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. At the end of previous fiscal year, construction and installation services—previously included in the security services segment—were reclassified and are now included in the real estate and other services segment. Owing to this change, certain figures for the six months ended September 30, 2013, have been restated.*

CONSOLIDATED FINANCIAL HIGHLIGHTS

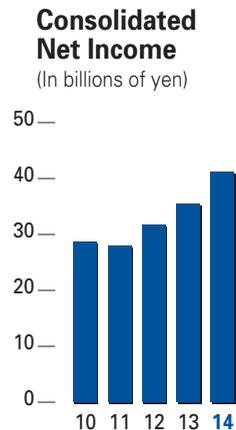
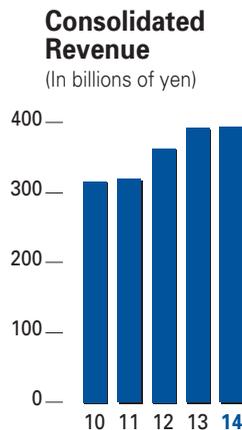
SECOM CO., LTD. and Subsidiaries
Six-month periods ended September 30, 2014, 2013 and 2012

	In millions of yen			In thousands of U.S. dollars
	2014	2013	2012	2014
Revenue	¥393,380	¥392,319	¥362,175	\$3,608,990
Operating profit	59,611	56,799	50,355	546,889
Ordinary profit	70,251	62,403	53,647	644,504
Net income	41,181	35,445	31,713	377,807
Net income per share (yen and U.S. dollars)	¥ 188.68	¥ 162.39	¥ 145.29	\$ 1.73

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 ¥109=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2014.

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



TO OUR SHAREHOLDERS

Operating Results

Although business conditions were shored up by an improved employment environment, the Japanese economy more or less stalled in the six months ended September 30, 2014, as a negative demand rebound following the country's consumption tax hike combined with unseasonable weather to impede a recovery in consumer spending.

In this environment, we continued addressing ever more diverse and sophisticated needs for security and peace of mind—in keeping 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. Accordingly, we focused on offering high-grade services and systems that respond to customers' needs in our 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 pushed ahead 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. Under the ALL SECOM banner, we promoted the development of new services in line with three key themes: security services, a super-aged society and disaster preparedness/business continuity planning (BCP)/environmental preservation.

Calculated according to accounting principles generally accepted in Japan (Japanese GAAP), consolidated revenue in the period under review edged up 0.3%, to a record ¥393.3 billion. We also set new profit records, as consolidated operating profit rose 4.9%, to ¥59.6 billion, consolidated ordinary profit expanded 12.6%, to ¥70.2 billion—bolstered mainly by ¥8.2 billion in net gains on private equity investments, primarily in the United States, up from ¥3.5 billion in the six months ended September 31, 2013—and consolidated net income increased 16.2%, to ¥41.1 billion.

With the aim of enhancing returns to shareholders, on November 10, 2014, the Board of Directors approved the payment of an interim dividend of ¥60.00 per share.

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 consist of static guard and armored car services. The merchandise and other category encompasses sales of a wide range of security products, including security camera systems, access control systems, automated fire extinguishing systems and external monitoring systems. Overseas, we offer high-grade security services through a network of subsidiaries and affiliates in key markets.

In the period under review, segment revenue increased 3.0%, to ¥229.6 billion, and operating profit rose 3.6%, to ¥54.6 billion. Principal contributing factors included higher sales of on-line

security systems for commercial and residential customers, expanded sales of large-scale proprietary security systems and an increase in sales of security products. For commercial subscribers in Japan, we stepped up marketing of high-value-added on-line security systems, including SECOM LX, which combines an on-line security system with access control functions that help improve business efficiency, and SECOM FX, an energy- and labor-saving security and facility control system. We also promoted efforts to market security camera and access control systems to food processing and other facilities in response to growing needs for systems that help strengthen their production management systems. For home security subscribers, we took steps to bolster sales of SECOM Home Security G-Custom, which combines home security with a variety of features designed to provide security and peace of mind, as well as greater comfort and convenience, including a data storage service that enables subscribers to store important personal documents at a SECOM data center.

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. While revenue in this segment edged down 0.4%, to ¥49.3 billion, operating profit climbed 68.1%, to ¥3.5 billion, underpinned by successful efforts to improve operating efficiency and reduce costs of revenue and selling, general and administrative expenses, among others. Income in this segment tends to be concentrated toward the end of the fiscal year, as the fire protection services business is influenced significantly by trends in the construction industry.

Medical Services

The medical services segment encompasses home medical services, which include 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 hospitals and healthcare-related institutions. Segment revenue increased 1.6%, to ¥28.3 billion, and operating profit rose 4.0%, to ¥2.3 billion, thanks to robust sales of pharmaceuticals and other factors.

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. Bolstered by robust sales of MEDCOM and fire insurance policies, among others, revenue in this segment increased 4.5%, to ¥17.9 billion. Operating profit amounted to ¥1.3 billion, up from ¥52 million in the six months ended September 31,

2013, mainly owing to a decline in losses attributable to damage from natural disasters and to other causes.

Geographic Information Services

Our 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 public sector entities, including national and local governments, and private sector customers in Japan. We also provide geospatial information services to government agencies overseas, including in emerging economies and developing countries. In the period under review, segment revenue slipped 0.8%, to ¥23.5 billion, despite firm revenue in Japan, as revenue in overseas markets declined. Operating profit fell 61.2%, to ¥415 million, as the cost ratio increased. Because deliveries of systems to the public sector, the segment's principal market, are generally clustered at the end of March, income follows a similar trend.

Information and Communication Related Services

This segment consists mainly of information and communication related services, which focus on data center services, as well as uniquely SECOM BCP support services, information security services and cloud-based services. In the period under review, revenue in this segment rose 2.5%, to ¥23.8 billion. In contrast, operating profit declined 8.4%, to ¥2.5 billion, primarily reflecting an increase in data center facility operating costs.

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-preparedness features, and real estate leasing. In the period under review, segment revenue fell 25.2%, to ¥20.7 billion, from the corresponding period of the previous fiscal year, when revenue in the real estate development and sales business was amplified by the delivery of newly completed large-scale condominiums. Operating profit declined 36.6%, to ¥1.9 billion.

Looking Forward

Guided by the ALL SECOM concept, we will continue working to realize our Social System Industry vision by helping customers to address key everyday concerns, as well as to further enhance employee understanding of this concept and ensure the successful implementation of related strategies. We will also promote the effective use of Big Data to create uniquely SECOM services and systems that will encourage customers to turn to SECOM, thereby enhancing corporate value.

In late June 2014, the number of households in Japan that have installed SECOM Home Security topped one million. While we are proud of this accomplishment, we recognize that this is no time to rest on our laurels and that the popularity of security services for residential use will continue to grow in the years ahead. We will therefore continue working to address the increasingly diverse demands of home security subscribers, always aware of the need to earn their trust and comprehend

their expectations, through the swift development and marketing of services and systems that resolve their concerns.

In the area of commercial security services, in August 2014 we began providing SECOM NVR System, a next-generation security camera system that includes access to the SECOM Image Archive Service, which enables subscribers to store camera images remotely at one of our Secure Data Center facilities. With this service, we look after all aspects of operation, including switching systems on, managing image data, and replacing the hard drive, thereby relieving unease regarding the danger of manipulation, destruction or theft of devices by intruders and preventing the loss of data.

On another front, in September 2014 we began offering the SECOM AED Skill Up Service, a workshop on the operation of automated external defibrillators (AEDs), in line with our belief that the ability to use an AED is an essential skill for people everywhere. In the area of information security, in November 2014 we released a version of SECOM Premium Net—a system designed to protect against online banking scams, including those involving illegal transfers of funds—for consumers. This system, which centers on a dedicated read-only USB flash drive, was originally marketed for commercial use.

Although we have positioned our data center business as the cornerstone of our efforts to create new services and systems in the years ahead, we recognize the need to approach business development not from the perspective of how we can maximize Big Data and expand our infrastructure, but rather from that of how we can truly benefit our customers. To this end, we remain committed to keeping abreast of evolving social imperatives and to incorporating our findings into our daily operations, to facilitate the development of services and systems that respond accurately to our customers' needs. Through such efforts, we will continue working to make SECOM an ever-present and trusted part of our customers' lives. In all of our endeavors, we look forward to the ongoing support of our shareholders.

November 2014



Makoto Iida
Founder



Shuji Maeda
Chairman and Representative Director



Hiroshi Ito
President and Representative Director

CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries
September 30, 2014 and 2013

ASSETS	In millions of yen		In thousands of U.S. dollars
	2014	2013	2014
Current assets:			
Cash on hand and in banks	¥ 222,241	¥ 185,368	\$ 2,038,908
Cash deposits for armored car services	49,755	52,206	456,467
Call loans	15,500	23,000	142,201
Notes and accounts receivable, trade	83,466	79,448	765,743
Due from subscribers	25,183	23,841	231,036
Short-term investments	30,890	8,038	283,394
Lease receivables and investment in leased assets	35,973	27,094	330,027
Merchandises and products	14,936	12,806	137,027
Real estate inventories	33	4,456	302
Work in process	3,837	4,328	35,201
Costs on uncompleted construction contracts	11,811	9,786	108,357
Work in process for real estate inventories	22,863	13,878	209,752
Raw materials and supplies	7,594	6,720	69,669
Deferred income taxes	13,250	13,785	121,559
Short-term loans receivable	2,735	2,656	25,091
Other	18,135	14,150	166,376
Allowance for doubtful accounts	(1,834)	(1,719)	(16,825)
Total current assets	556,376	479,846	5,104,366
Fixed assets:			
Tangible assets:			
Buildings and improvements, net	148,699	155,694	1,364,211
Security equipment and control stations, net	70,099	69,716	643,110
Land	112,293	114,969	1,030,211
Other, net	24,200	24,169	222,018
Total tangible assets	355,292	364,549	3,259,559
Intangible assets	48,566	54,020	445,559
Investments and others:			
Investment securities	251,067	243,502	2,303,366
Long-term loans receivable	43,973	44,077	403,422
Prepaid pension and severance costs	—	19,997	—
Net defined benefit asset	23,262	—	213,412
Deferred income taxes	6,716	10,348	61,614
Other	51,251	44,394	470,192
Allowance for doubtful accounts	(17,073)	(16,664)	(156,633)
Total investments and others	359,198	345,655	3,295,394
Total fixed assets	763,058	764,225	7,000,532
Deferred assets	11	26	100
Total assets	¥1,319,445	¥1,244,098	\$12,105,000

LIABILITIES	In millions of yen		In thousands of U.S. dollars
	2014	2013	2014
Current liabilities:			
Notes and accounts payable, trade	¥ 36,648	¥ 32,960	\$ 336,220
Bank loans	34,621	38,704	317,623
Current portion of straight bonds	4,562	1,410	41,853
Lease obligations	525	573	4,816
Payables—other	26,483	24,764	242,963
Accrued income taxes	20,805	23,320	190,871
Accrued consumption taxes	7,700	3,096	70,642
Accrued expenses	4,209	4,619	38,614
Deferred revenue	32,460	31,875	297,798
Accrued bonuses	14,290	14,140	131,100
Provision for losses on construction contracts	1,576	1,324	14,458
Other	36,778	34,350	337,412
Total current liabilities	220,662	211,139	2,024,422
Long-term liabilities:			
Straight bonds	7,168	11,531	65,761
Long-term loans	22,424	19,282	205,724
Lease obligations	3,843	3,583	35,256
Guarantee deposits received	35,874	36,514	329,119
Deferred income taxes	11,500	12,898	105,504
Accrued pension and severance costs	—	17,025	—
Accrued retirement benefits for directors and audit & supervisory board members	1,377	1,503	12,633
Net defined benefit liability	19,271	—	176,798
Investment deposits by policyholders, unearned premiums and other insurance liabilities	143,912	137,563	1,320,293
Other	2,700	2,760	24,770
Total long-term liabilities	248,073	242,664	2,275,899
Total liabilities	468,736	453,803	4,300,330
NET ASSETS			
Shareholders' equity:			
Common stock	66,377	66,377	608,963
Capital surplus	80,288	83,054	736,587
Retained earnings	673,573	621,802	6,179,568
Common stock in treasury, at cost	(73,690)	(73,672)	(676,055)
Total shareholders' equity	746,549	697,562	6,849,073
Accumulated other comprehensive income:			
Unrealized gains on securities	17,527	13,297	160,798
Deferred losses on hedges	(36)	(34)	(330)
Foreign currency translation adjustments	(13,503)	(19,244)	(123,880)
Remeasurements of defined benefit plans, net of taxes	(3,008)	—	(27,596)
Total accumulated other comprehensive income	977	(5,980)	8,963
Minority interests in subsidiaries	103,182	98,713	946,623
Total net assets	850,709	790,295	7,804,669
Total liabilities and net assets	¥1,319,445	¥1,244,098	\$12,105,000

CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries

Six-month periods ended September 30, 2014 and 2013

	In millions of yen		In thousands of U.S. dollars
	2014	2013	2014
Revenue	¥393,380	¥392,319	\$3,608,990
Costs of revenue	256,405	258,236	2,352,339
Gross profit	136,975	134,083	1,256,651
Selling, general and administrative expenses	77,363	77,283	709,752
Operating profit	59,611	56,799	546,889
Non-operating income	12,393	7,815	113,697
Non-operating expenses	1,753	2,211	16,082
Ordinary profit	70,251	62,403	644,504
Extraordinary profit	1,843	172	16,908
Extraordinary losses	2,241	127	20,559
Income before income taxes	69,852	62,448	640,844
Income taxes—current	20,899	22,929	191,733
Income taxes—deferred	3,136	7	28,770
Net income before minority interests in subsidiaries	45,816	39,510	420,330
Minority interests in subsidiaries	4,634	4,064	42,513
Net income	¥ 41,181	¥ 35,445	\$ 377,807

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SECOM CO., LTD. and Subsidiaries

Six-month periods ended September 30, 2014 and 2013

	In millions of yen		In thousands of U.S. dollars
	2014	2013	2014
Net income before minority interests in subsidiaries	¥45,816	¥39,510	\$420,330
Other comprehensive income:			
Unrealized gains on securities	5,193	1,490	47,642
Foreign currency translation adjustments	(2,549)	7,333	(23,385)
Remeasurements of defined benefit plans, net of taxes	410	—	3,761
Share of other comprehensive income of affiliated companies accounted for under the equity method	(191)	2,278	(1,752)
Total other comprehensive income	2,863	11,102	26,266
Comprehensive income	48,679	50,612	446,596
Comprehensive income attributable to:			
Owners of the parent company	44,080	45,482	404,403
Minority interests	4,598	5,129	42,183

BUSINESS SEGMENT INFORMATION

SECOM CO., LTD. and Subsidiaries
Six-month periods ended September 30, 2014 and 2013

	In millions of yen		In thousands of U.S. dollars
	2014	2013	2014
Revenue:			
Security services			
Customers	¥229,602	¥222,946	\$2,106,440
Intersegment	6,590	6,649	60,458
	236,193	229,596	2,166,908
Fire protection services			
Customers	49,310	49,500	452,385
Intersegment	2,592	2,323	23,779
	51,903	51,823	476,174
Medical services			
Customers	28,331	27,883	259,917
Intersegment	71	77	651
	28,403	27,960	260,577
Insurance services			
Customers	17,947	17,178	164,651
Intersegment	1,509	1,536	13,844
	19,456	18,714	178,495
Geographic information services			
Customers	23,565	23,749	216,192
Intersegment	114	36	1,045
	23,679	23,786	217,238
Information and communication related services			
Customers	23,824	23,252	218,568
Intersegment	2,722	2,735	24,972
	26,547	25,987	243,550
Real estate and other services			
Customers	20,798	27,808	190,807
Intersegment	1,117	1,080	10,247
	21,916	28,889	201,064
Total	408,099	406,759	3,744,027
Adjustment	(14,718)	(14,439)	(135,027)
Consolidated revenue	¥393,380	¥392,319	\$3,608,990

	In millions of yen		In thousands of U.S. dollars
	2014	2013	2014
Operating profit (loss):			
Security services	¥54,635	¥52,748	\$501,238
Fire protection services	3,557	2,116	32,633
Medical services	2,333	2,244	21,403
Insurance services	1,390	52	12,752
Geographic information services	415	1,070	3,807
Information and communication related services	2,530	2,764	23,211
Real estate and other services	1,966	3,100	18,036
Total	66,829	64,098	613,110
Adjustment	(7,218)	(7,298)	(66,220)
Consolidated operating profit	¥59,611	¥56,799	\$546,889

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 ¥109=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on September 30, 2014.

DIRECTORS, AUDIT AND SUPERVISORY BOARD MEMBERS AND EXECUTIVE OFFICERS

Directors

Founder:

Makoto Iida

Chairman and Representative Director:

Shuji Maeda

President and Representative Director:

Hiroshi Ito

Executive Directors:

Yasuo Nakayama

Kazuaki Anzai

Junzo Nakayama

Kenichi Furukawa

Directors:

Yasuyuki Yoshida

Tatsuro Fuse

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

Chairman and

Representative Director

Hiroshi Ito

President and

Representative Director

Yasuo Nakayama

Executive Director

Kazuaki Anzai

Executive Director

Junzo Nakayama

Executive Director

Kenichi Furukawa

Executive Director

Toshiyuki Mukai

Managing Executive Officer

Masahiro Takeda

Managing Executive Officer

Teruhisa Yoshimura

Managing Executive Officer

Hideo Morishita

Managing Executive Officer

Tsuneo Komatsuzaki

Managing Executive Officer

Yasuyuki Yoshida

Director

Tatsuro Fuse

Director

Takayuki Ito

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

Shokichi Ishimura

Executive Officer

Toshiaki Mizuno

Executive Officer

Sumiyuki Fukumitsu

Executive Officer

(As of November 30, 2014)



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