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QUARTERLY FINANCIAL REPORT
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2023
 (Based on JAPANESE GAAP) (Consolidated)

February 8, 2024

Company name: SECOM CO., LTD. (URL: <https://www.secom.co.jp/>)
 Code number: 9735 Tokyo Stock Exchange ----- Prime Market
 Representative: Ichiro Ozeki, President and Representative Director
 Inquiries: Seiya Nagao, Executive Officer and Head of Finance Division
 Phone (03) 5775-8100
 Scheduled date of filing Quarterly Securities Report: February 14, 2024
 Scheduled date of dividend payout: –
 Preparation of quarterly supplementary materials: Applicable
 Holding of quarterly results information meeting: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine-month period ended December 31, 2023 (April 1, 2023 – December 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine-month period ended								
December 31, 2023	835,626	5.2	103,644	3.6	119,721	6.7	76,346	6.2
December 31, 2022	794,322	3.7	100,048	(8.9)	112,231	(4.4)	71,922	(2.0)

Note: Comprehensive income Nine-month period ended December 31, 2023: JPY 110,933 million [12.2%]
 Nine-month period ended December 31, 2022: JPY 98,869 million [15.0%]

	Basic net income per share	Diluted net income per share
Nine-month period ended	Yen	Yen
December 31, 2023	360.21	–
December 31, 2022	332.79	–

Note: There is no diluted net income per share as there are no shares with dilutive effect.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
December 31, 2023	2,006,781	1,339,366	58.9	5,629.62
March 31, 2023	1,989,062	1,316,047	58.5	5,427.63

Reference: Equity

As of December 31, 2023: JPY 1,182,218 million

As of March 31, 2023: JPY 1,164,425 million

Note: Equity is calculated by deducting noncontrolling interests from net assets. Net assets per share is calculated by dividing equity by the number of common shares outstanding, excluding treasury stock, as of each period-end.

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	90.00	—	95.00	185.00
Fiscal year ending March 31, 2024	—	95.00	—		
Fiscal year ending March 31, 2024 (Projected)				95.00	190.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Projections for the consolidated financial results for the fiscal year ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(Percentages indicate changes from the results of the corresponding periods of the previous year.)

	Projected revenue		Projected operating profit		Projected ordinary profit		Projected net income attributable to owners of the parent		Projected basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2024	1,147,500	4.2	136,800	0.1	154,300	(1.2)	94,100	(2.1)	445.00

Note 1: Revision of projections for the consolidated financial results from those most recently disclosed: None

Note 2: Projected basic net income per share for the fiscal year ending March 31, 2024 is calculated based on the number of average common shares outstanding over the nine-month period ended December 31, 2023, assuming that it remains the same until March 31, 2024.

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanied with changes in scope of consolidation): None
- (2) Adoption of unique accounting treatment for preparation of consolidated quarterly financial statements: None
- (3) Changes in accounting policies, accounting estimates, and restatement
 - (i) Changes in accounting policies associated with amendment of accounting standards: None
 - (ii) Other changes in accounting policies: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of common shares outstanding

- (i) Number of common shares outstanding, including treasury stock

As of December 31, 2023	233,299,898 shares
As of March 31, 2023	233,299,898 shares

- (ii) Number of shares of treasury stock

As of December 31, 2023	23,300,260 shares
As of March 31, 2023	18,763,110 shares

- (iii) Number of average common shares outstanding during the period

The nine-month period ended December 31, 2023	211,947,691 shares
The nine-month period ended December 31, 2022	216,122,934 shares

Note on status of quarterly review procedures

This report is excluded from the scope of quarterly review procedures.

Note on appropriate use of projections for the financial results; other special items:

The forward-looking statements including the future performance described in this document are provided based on both all information available at this moment and certain assumptions considered reasonable. Actual performance may differ materially from the forward-looking statements due to various factors hereafter occurred. For matters regarding assumptions on financial projections and notes for the use of financial projections, please refer to “1. Qualitative Information Regarding the Nine-month Period Ended December 31, 2023 (3) Qualitative Information Regarding Consolidated Financial Projections” on page 4 in the appendices.

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1. Qualitative Information Regarding the Nine-month Period Ended December 31, 2023

(1) Qualitative Information Regarding Consolidated Financial Results

During the nine-month period ended December 31, 2023, the Japanese economy showed movements of gradual recovery in some areas such as private consumption amid the improvements in the employment and income environment. On the other hand, continual attention has been required to the rising prices and the global economic circumstances, as well as the trends of fluctuations in the financial and foreign exchange markets.

Under these circumstances, we have been working to implement initiatives to achieve the SECOM Group's Vision for 2030, formulated with an aim to establish the "Social System Industry," which delivers safety and peace of mind, as well as makes life more comfortable and convenient. In May 2023, we formulated the SECOM Group Road Map 2027 to further clarify the direction we should aim for in order to realize our vision and to ensure our growth, and we are actively promoting various initiatives.

In the period under review, we actively promoted sales of on-line security systems, centering on System Security AZ series for commercial use and SECOM Home Security NEO for residential use. In October 2023, we announced the development of SECOM Drone XX (Double X), a security drone that utilizes AI for patrol and intrusion monitoring, the first of its kind in Japan. In December, we also launched SECOM Cloud-Based Access Control, a service that enables remote access control by allowing users to access management tools in the cloud from anywhere using a web browser or dedicated smartphone app. Through these and other initiatives, we continued to provide meticulous and seamless services to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind.

Consolidated revenue for the nine-month period ended December 31, 2023 was 835.6 billion yen, up 5.2% from the previous corresponding period, chiefly owing to the increase in revenue in security services, due to the contribution of Senon Ltd., a subsidiary consolidated from July 2022, the brisk sales of on-line security systems for commercial and residential use, and the rise of sales of merchandise. Consolidated operating profit increased by 3.6% to 103.6 billion yen, largely attributable to the effect of the increase in operating profit mainly in security services, fire protection services and insurance services, despite the decrease in operating profit in geospatial information services and BPO and ICT services. Consolidated ordinary profit increased by 6.7% to 119.7 billion yen, mainly due to the increase in net gains on private equity investment in the U.S. etc., by 4.7 billion yen. Net income attributable to owners of the parent was up by 6.2% to 76.3 billion yen. For the nine-month period ended December 31, 2023, revenue, ordinary profit and net income attributable to owners of the parent reached a record-high.

Segment information is as follows.

In the security services segment, revenue increased by 5.5% to 451.9 billion yen, mainly due to the contribution of Senon Ltd., a subsidiary consolidated from July 2022, the brisk sales of on-line security systems for commercial and residential use, and the rise of sales of merchandise. Operating profit increased by 3.4% to 84.9 billion yen.

In the fire protection services segment, revenue increased by 10.8% to 108.5 billion yen, attributable to the increase in revenue in fire extinguishing systems and fire alarm systems. Operating profit increased by 98.4% to 5.2 billion yen, chiefly owing to the decrease in cost ratio in fire alarm systems. Revenue tends to increase toward the end of the fiscal year, due to the fact that this segment is greatly affected by the construction industry.

In the medical services segment, revenue increased by 3.7% to 60.0 billion yen, mainly due to the increase in revenue in Takshasila Hospitals Operating Pvt. Ltd., a general hospital operating company in India, and the brisk sales of pharmaceuticals. Operating profit rose by 5.4% to 4.8 billion yen.

In the insurance services segment, revenue increased by 5.4% to 42.8 billion yen, mainly due to the increases in underwriting income and investment income. Operating profit was up 14.9% to 10.0 billion yen, largely attributable to the decrease in losses from natural disasters.

In the geospatial information services segment, revenue decreased by 5.4% to 38.4 billion yen, chiefly owing to the decrease in revenue in the domestic public sector division. Operating loss was 6 million yen, compared with operating profit of 1.7 billion yen in the previous corresponding period, attributable to the increases in cost of revenue mainly due to the recognition of provision for loss on construction contracts and in selling, general and administrative expenses chiefly owing to the rise in personnel expenses. Revenue tends to concentrate toward the end of the fiscal year, due to the fact that deliveries of public-sector contracts, which is the primary market for this segment, are mainly made at the end of March.

In the BPO and ICT services segment, revenue increased by 0.5% to 93.7 billion yen, owing to the increase in revenue in data center business, despite the decrease in revenue in TMJ, Inc., a provider of BPO services including contact centers and back office services. Operating profit was down 12.3% to 7.9 billion yen, largely attributable to the decrease in revenue and the increase in cost of revenue in TMJ, Inc.

In the other services segment, revenue increased by 12.3% to 39.9 billion yen. Operating profit rose by 9.0% to 5.3 billion yen.

(2) Qualitative Information Regarding Consolidated Financial Position

Consolidated Balance Sheets

Total assets as of December 31, 2023 amounted to 2,006.7 billion yen, 0.9% or 17.7 billion yen higher than that at the end of the previous fiscal year. Total current assets, at 896.2 billion yen, were down 11.0% or 111.2 billion yen. This was largely attributable to the decreases in cash on hand and in banks by 24.0% or 125.3 billion yen to 397.0 billion yen and notes and accounts receivable - trade and contract assets by 16.0% or 25.1 billion yen to 132.3 billion yen, despite the increase in cash deposits for armored car services by 29.8% or 40.3 billion yen to 175.8 billion yen. Total fixed assets, at 1,110.5 billion yen, were up 13.1% or 128.9 billion yen from the end of the previous fiscal year. This was mainly attributable to the increase in investment securities by 35.8% or 106.7 billion yen to 405.1 billion yen.

Total liabilities amounted to 667.4 billion yen, 0.8% or 5.6 billion yen lower than that at the end of the previous fiscal year. Total current liabilities amounted to 363.6 billion yen, down 3.7% or 13.7 billion yen, owing to the decreases in other by 49.3% or 15.0 billion yen to 15.4 billion yen, accrued income taxes by 64.3% or 14.6 billion yen to 8.1 billion yen, accrued bonuses by 61.6% or 12.1 billion yen to 7.5 billion yen, notes and accounts payable, trade by 25.2% or 11.8 billion yen to 35.1 billion yen, despite the increase in deposits received for armored car services by 33.7% or 40.1 billion yen to 159.0 billion yen. Long-term liabilities increased by 2.8% or 8.1 billion yen to 303.7 billion yen, owing to the increases in deferred income taxes by 72.6% or 7.9 billion yen to 18.8 billion yen, lease obligations by 53.7% or 7.8 billion yen to 22.5 billion yen, despite the decrease in investment deposits by policyholders, unearned premiums and other insurance liabilities by 4.1% or 7.5 billion yen to 178.4 billion yen.

Total net assets amounted to 1,339.3 billion yen, 1.8% or 23.3 billion yen higher than that at the end of the previous fiscal year, mainly due to the increases in retained earnings by 3.3% or 35.8 billion yen, unrealized gains on securities by 49.2% or 9.2 billion yen, foreign currency translation adjustments by

170.1% or 17.8 billion yen, despite the decrease in common stock in treasury, at cost by 40.3% or 43.9 billion yen.

(3) Qualitative Information Regarding Consolidated Financial Projections

Projections for the consolidated financial results for the fiscal year ending March 31, 2024 have not been changed from those disclosed on November 9, 2023.

(Notes for financial projections)

Projections for the consolidated financial results for the fiscal year ending March 31, 2024, are based on management's assumptions in light of information currently available. As actual performance may differ materially from the forward-looking statements due to various factors hereafter occurred, you should refrain from making an investment decision by solely relying on these projections. Such factors include, but are not limited to, changes in economic conditions affecting our group's operations, market trends, legislative changes, occurrences of natural disasters, recalls of products sold and the results of contingency.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Balance Sheets

	(In millions of yen)	
	March 31, 2023	December 31, 2023
ASSETS:		
Current assets:		
Cash on hand and in banks	522,396	397,024
Cash deposits for armored car services	135,459	175,849
Notes and accounts receivable - trade and contract assets	157,475	132,354
Due from subscribers	43,503	44,406
Short-term investments	26,325	19,278
Lease receivables and investment in leased assets	41,120	40,026
Merchandise and products	17,361	22,009
Real estate inventories	4,146	3,336
Work in process	5,707	7,617
Raw materials and supplies	18,482	20,324
Short-term loans receivable	2,408	2,179
Other	35,324	34,225
Allowance for doubtful accounts	(2,163)	(2,357)
Total current assets	1,007,547	896,274
Fixed assets:		
Tangible assets:		
Buildings and improvements, net	150,733	153,928
Security equipment and control stations, net	75,650	82,792
Land	123,358	126,706
Other, net	54,095	68,133
Total tangible assets	403,837	431,559
Intangible assets	132,772	128,560
Investments and others:		
Investment securities	298,364	405,126
Long-term loans receivable	25,692	24,875
Net defined benefit asset	55,551	58,181
Deferred income taxes	27,426	22,083
Other	48,770	50,754
Allowance for doubtful accounts	(10,900)	(10,636)
Total investments and others	444,905	550,385
Total fixed assets	981,515	1,110,506
Total assets	1,989,062	2,006,781

(1) Consolidated Balance Sheets (Continued)

	(In millions of yen)	
	March 31, 2023	December 31, 2023
LIABILITIES:		
Current liabilities:		
Notes and accounts payable, trade	46,985	35,156
Bank loans	29,085	24,638
Current portion of straight bonds	407	401
Lease obligations	4,704	5,086
Payables - other	44,551	46,087
Accrued income taxes	22,762	8,125
Accrued consumption taxes	8,549	9,514
Accrued expenses	11,312	10,818
Deposits received for armored car services	118,943	159,068
Deferred revenue	37,730	39,284
Accrued bonuses	19,653	7,552
Provision for losses on construction contracts	2,312	2,506
Other	30,482	15,458
Total current liabilities	377,482	363,699
Long-term liabilities:		
Straight bonds	3,081	2,879
Long-term loans	12,349	11,310
Lease obligations	14,657	22,535
Guarantee deposits received	23,662	23,740
Deferred income taxes	10,906	18,820
Accrued retirement benefits for directors and audit and supervisory board members	829	764
Net defined benefit liability	23,935	24,389
Long-term deferred revenue	16,121	16,119
Investment deposits by policyholders, unearned premiums and other insurance liabilities	186,033	178,460
Other	3,955	4,694
Total long-term liabilities	295,533	303,714
Total liabilities	673,015	667,414
NET ASSETS:		
Shareholders' equity:		
Common stock	66,427	66,427
Capital surplus	70,349	70,220
Retained earnings	1,100,791	1,136,655
Common stock in treasury, at cost	(109,224)	(153,214)
Total shareholders' equity	1,128,343	1,120,087
Accumulated other comprehensive income (losses):		
Unrealized gains on securities	18,771	28,007
Deferred losses on hedges	(3)	(1)
Foreign currency translation adjustments	10,497	28,356
Remeasurements of defined benefit plans, net of taxes	6,815	5,768
Total accumulated other comprehensive income (losses)	36,081	62,130
Noncontrolling interests	151,621	157,147
Total net assets	1,316,047	1,339,366
Total liabilities and net assets	1,989,062	2,006,781

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

	(In millions of yen)	
	Nine-month period ended December 31, 2022	Nine-month period ended December 31, 2023
Revenue	794,322	835,626
Costs of revenue	542,450	572,260
Gross profit	251,871	263,365
Selling, general and administrative expenses	151,822	159,720
Operating profit	100,048	103,644
Non-operating income	14,823	20,385
Non-operating expenses	2,640	4,308
Ordinary profit	112,231	119,721
Extraordinary profit	2,256	3,296
Extraordinary losses	1,073	1,363
Income before income taxes	113,415	121,654
Income taxes - current	26,275	29,124
Income taxes - deferred	9,191	9,711
Total income taxes	35,466	38,836
Net income	77,949	82,818
Net income attributable to noncontrolling interests	6,026	6,472
Net income attributable to owners of the parent	71,922	76,346

Consolidated Statements of Comprehensive Income

	(In millions of yen)	
	Nine-month period ended December 31, 2022	Nine-month period ended December 31, 2023
Net income	77,949	82,818
Other comprehensive income (losses):		
Unrealized gains (losses) on securities	(3,724)	9,714
Foreign currency translation adjustments	23,069	16,027
Remeasurements of defined benefit plans, net of taxes	(1,093)	(1,078)
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	2,668	3,451
Total other comprehensive income (losses)	20,920	28,114
Comprehensive income	98,869	110,933
Comprehensive income attributable to:		
Owners of the parent company	91,588	102,395
Noncontrolling interests	7,280	8,538

(3) Notes Regarding the Consolidated Quarterly Financial Statement

[Notes Regarding the Assumption of Going Concern]

Not applicable.

[Notes Regarding Significant Changes in the Amount of Shareholders' Equity]

Based on the resolution adopted by its Board of Directors at the meeting held on February 9, 2023, the Company repurchased 1,599,800 shares of its own shares. Also based on the resolution adopted by its Board of Directors at the meeting held on August 9, 2023, the Company repurchased 2,937,500 shares of its own shares. As a result, the amount of treasury stock was 153,214 million yen at the end of the nine-month period ended December 31, 2023, with the increase of 43,989 million yen during the nine-month period ended December 31, 2023.

[Segment Information, etc.]

Segment Information

I. Nine-month Period Ended December 31, 2022

1. Information about Amounts of Revenue and Profit or Loss by Reportable Segments and Information on Breakdown of Revenue

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
Revenue:					
Revenue from security contracts	368,712	—	—	—	—
Other	53,147	97,909	52,336	482	40,646
Revenue from contracts with customers	421,859	97,909	52,336	482	40,646
Other revenue	6,391	—	5,570	40,208	—
Customers	428,251	97,909	57,907	40,690	40,646
Intersegment	8,876	2,296	168	2,299	165
Subtotal	437,127	100,206	58,075	42,990	40,812
Segment profit	82,171	2,624	4,594	8,735	1,781

	Reportable segments		Other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	BPO and ICT services	Subtotal				
Revenue:						
Revenue from security contracts	—	368,712	—	368,712	—	368,712
Other	93,323	337,845	23,052	360,897	—	360,897
Revenue from contracts with customers	93,323	706,557	23,052	729,610	—	729,610
Other revenue	—	52,170	12,541	64,712	—	64,712
Customers	93,323	758,728	35,594	794,322	—	794,322
Intersegment	7,435	21,242	1,003	22,246	(22,246)	—
Subtotal	100,758	779,971	36,598	816,569	(22,246)	794,322
Segment profit	9,076	108,985	4,884	113,869	(13,821)	100,048

Note 1: Other services is an operating segment not designated as a reportable segment, and comprises real estate leasing, construction and installation services, etc.

Note 2: Adjustment of segment profit includes intersegment elimination of (97) million yen and corporate expenses not allocated to each reportable segment of 13,918 million yen. Major components of corporate expenses are expenses regarding planning, personnel and administrative departments of the Company's headquarter, etc.

Note 3: Segment profit is adjusted to operating profit in the quarterly consolidated statements of income.

2. Information about Impairment Loss on Fixed Assets or Goodwill by Reportable Segments

(Significant Changes in Goodwill)

During the six-month period ended September 30, 2022, the Company made Senon Ltd. a consolidated subsidiary. As a result, the amount of goodwill in the segments of security services and other services increased. For the nine-month period ended December 31, 2022, the amount of goodwill increased due to this event was 15,484 million yen and 4,344 million yen, respectively. However, the amount of goodwill that occurred from the event was tentatively calculated as the allocation of the purchase price has not yet been completed.

II. Nine-month Period Ended December 31, 2023

1. Information about Amounts of Revenue and Profit or Loss by Reportable Segments and Information on Breakdown of Revenue

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
Revenue:					
Revenue from security contracts	385,647	—	—	—	—
Other	59,664	108,528	54,474	511	38,456
Revenue from contracts with customers	445,311	108,528	54,474	511	38,456
Other revenue	6,648	—	5,565	42,364	—
Customers	451,960	108,528	60,039	42,875	38,456
Intersegment	9,765	2,364	180	2,037	156
Subtotal	461,725	110,893	60,220	44,913	38,613
Segment profit(loss)	84,972	5,208	4,841	10,036	(6)

	Reportable segments		Other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	BPO and ICT services	Subtotal				
Revenue:						
Revenue from security contracts	—	385,647	—	385,647	—	385,647
Other	93,785	355,421	27,525	382,947	—	382,947
Revenue from contracts with customers	93,785	741,068	27,525	768,594	—	768,594
Other revenue	—	54,577	12,454	67,032	—	67,032
Customers	93,785	795,646	39,980	835,626	—	835,626
Intersegment	9,406	23,911	1,024	24,936	(24,936)	—
Subtotal	103,192	819,558	41,004	860,563	(24,936)	835,626
Segment profit(loss)	7,962	113,016	5,325	118,341	(14,696)	103,644

Note 1: Other services is an operating segment not designated as a reportable segment, and comprises real estate leasing, construction and installation services, etc.

Note 2: Adjustment of segment profit includes intersegment elimination of 282 million yen and corporate expenses not allocated to each reportable segment of 14,414 million yen. Major components of corporate expenses are expenses regarding planning, personnel and administrative departments of the Company's headquarter, etc.

Note 3: Segment profit is adjusted to operating profit in the quarterly consolidated statements of income.

[Significant Subsequent Events]

Not applicable.