

Note: The following is an abridged English translation of Quarterly Financial Report (*Kessan Tanshin*) of SECOM CO., LTD. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

QUARTERLY FINANCIAL REPORT
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2023
 (Based on JAPANESE GAAP) (Consolidated)

August 9, 2023

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: August 14, 2023
 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 three-month period ended June 30, 2023 (April 1, 2023 – June 30, 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	%
Three-month period ended								
June 30, 2023	265,072	7.7	30,591	0.6	39,547	14.9	26,781	16.1
June 30, 2022	246,123	0.8	30,418	(10.6)	34,424	(8.2)	23,061	(3.5)

Note: Comprehensive income Three-month period ended June 30, 2023: JPY 38,309 million [19.7%]
 Three-month period ended June 30, 2022: JPY 31,996 million [0.2%]

	Basic net income per share	Diluted net income per share
Three-month period ended	Yen	Yen
June 30, 2023	125.59	–
June 30, 2022	106.51	–

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
June 30, 2023	1,947,632	1,318,289	59.9	5,474.66
March 31, 2023	1,989,062	1,316,047	58.5	5,427.63

Reference: Equity

As of June 30, 2023: JPY 1,165,754 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.

SECOM CO., LTD.
August 9, 2023

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	—				
Fiscal year ending March 31, 2024 (Projected)		95.00	—	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) and the six-month period ending September 30, 2023 (April 1, 2023 – September 30, 2023)

(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
Six-month period ending September 30, 2023	540,000	4.8	55,500	(8.4)	59,500	(12.9)	37,800	(14.0)	177.39
Year ending March 31, 2024	1,145,000	4.0	132,200	(3.3)	140,700	(9.9)	86,100	(10.4)	404.20

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 and the six-month period ending September 30, 2023 are calculated based on the number of average common shares outstanding, excluding treasury stock, over the three-month period ended June 30, 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 June 30, 2023	233,299,898 shares
As of March 31, 2023	233,299,898 shares

- (ii) Number of shares of treasury stock

As of June 30, 2023	20,363,405 shares
As of March 31, 2023	18,763,110 shares

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

The three-month period ended June 30, 2023	213,244,913 shares
The three-month period ended June 30, 2022	216,521,877 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 Three-month Period Ended June 30, 2023 (3) Qualitative Information Regarding Consolidated Financial Projections” on page 4 in the appendices.

Contents for the Appendices

- 1. Qualitative Information Regarding the Three-month Period Ended June 30, 2023 2
 - (1) Qualitative Information Regarding Consolidated Financial Results 2
 - (2) Qualitative Information Regarding Consolidated Financial Position 3
 - (3) Qualitative Information Regarding Consolidated Financial Projections..... 4
- 2. Consolidated Quarterly Financial Statements 5
 - (1) Consolidated Balance Sheets 5
 - (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income 7
 - (3) Notes Regarding the Consolidated Quarterly Financial Statement 8
 - [Notes Regarding the Assumption of Going Concern] 8
 - [Notes Regarding Significant Changes in the Amount of Shareholders' Equity] 8
 - [Segment Information, etc.] 9
 - [Significant Subsequent Events]..... 11

1. Qualitative Information Regarding the Three-month Period Ended June 30, 2023

(1) Qualitative Information Regarding Consolidated Financial Results

During the three-month period ended June 30, 2023, the Japanese economy showed movements of gradual recovery in some areas such as corporate earnings and private consumption amid the improvements in the employment and income environment. On the other hand, continual attention has been required to downside risks in the economy due to the rising prices and the global monetary tightening, as well as the trends of fluctuations in the financial and capital markets.

Under these circumstances, we have been actively 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 April 2023, we launched YORiSOS, the first app in Japan which is linked to the fall detection feature of Apple Watch enabling it to alert SECOM in the event of emergencies. The app also assists with everyday health management. In May, we began offering AZ-Access, an access control system for various types of buildings including offices, research facilities, factories, and large-scale commercial facilities. Also in May, we supported the safe staging of the G7 Hiroshima Summit by providing the local police department with SECOM Aerostat dirigibles for overhead surveillance, and SECOM 3D Security Planning utilizing high-precision 3D mapping, as an assistance tool in the security planning of the event. In the period under review, we continued to provide meticulous and seamless services through various initiatives to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind.

Consolidated revenue for the three-month period ended June 30, 2023 was 265.0 billion yen, up 7.7% from the previous corresponding period, chiefly owing to the increases 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 0.6% to 30.5 billion yen, largely attributable to the effect of the increase in operating profit in security services and the decrease in operating loss in fire protection services, despite the increase in operating loss in geospatial information services and the decrease in operating profit in BPO and ICT services. Consolidated ordinary profit increased by 14.9% to 39.5 billion yen, mainly due to the increase in net gains on private equity investment in the U.S. etc., by 4.2 billion yen. Net income attributable to owners of the parent increased by 16.1% to 26.7 billion yen. For the three-month period ended June 30, 2023, revenue and ordinary profit reached a record-high.

Segment information is as follows.

In the security services segment, revenue increased by 8.9% to 147.5 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 28.4 billion yen.

In the fire protection services segment, revenue increased by 9.2% to 30.9 billion yen, attributable to the increase in revenue in fire extinguishing systems and fire alarm systems. Operating loss was 10 million yen, from operating loss of 0.8 billion yen in the previous corresponding period. 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 6.7% to 19.2 billion yen, mainly due to the brisk sales of medical equipment and pharmaceuticals, and the increase in revenue in Takshasila Hospitals Operating Pvt. Ltd., a general hospital operating company in India. Operating profit increased by 17.4% to 1.6 billion yen.

In the insurance services segment, revenue increased by 2.8% to 12.7 billion yen, mainly due to the increase in investment income. Operating profit was up 3.7% to 2.5 billion yen.

In the geospatial information services segment, revenue decreased by 10.4% to 10.1 billion yen, owing to the decrease in revenue in the domestic public sector division and the international division. Operating loss was 1.3 billion yen, from operating loss of 0.2 billion yen in the previous corresponding period, due to the decrease in gross profit and the increase in selling, general and administrative 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 6.2% to 31.7 billion yen, chiefly owing to the increase in revenue in data center business and TMJ, Inc., a provider of BPO services including contact centers and back office services. Operating profit was down 19.7% to 2.4 billion yen, attributable to the expenses incurred by TMJ, Inc., with the business expansion and the increase of its bases, and the rise in cost mainly due to the increase in the fuel cost adjustment unit price in data center business.

In the other services segment, revenue increased by 19.2% to 12.7 billion yen. Operating profit decreased by 5.8% to 1.5 billion yen, chiefly owing to the rise in the cost of sales ratio in the construction and installation business.

(2) Qualitative Information Regarding Consolidated Financial Position

Consolidated Balance Sheets

Total assets as of June 30, 2023 amounted to 1,947.6 billion yen, 2.1% or 41.4 billion yen lower than that at the end of the previous fiscal year. Total current assets, at 922.5 billion yen, were down 8.4% or 84.9 billion yen. This was largely attributable to the decreases in notes and accounts receivable - trade and contract assets by 36.1% or 56.7 billion yen to 100.6 billion yen and cash on hand and in banks by 6.2% or 32.3 billion yen to 490.0 billion yen. Total fixed assets, at 1,025.0 billion yen, were up 4.4% or 43.5 billion yen from the end of the previous fiscal year, mainly attributable to the increase in investment securities by 14.3% or 42.5 billion yen to 340.8 billion yen.

Total liabilities amounted to 629.3 billion yen, 6.5% or 43.6 billion yen lower than that at the end of the previous fiscal year. Total current liabilities amounted to 330.6 billion yen, down 12.4% or 46.7 billion yen, owing to the decreases in accrued income taxes by 67.9% or 15.4 billion yen to 7.2 billion yen, notes and accounts payable, trade by 29.9% or 14.0 billion yen to 32.9 billion yen, other current liabilities by 27.7% or 8.4 billion yen to 22.0 billion yen, bank loans by 22.8% or 6.6 billion yen to 22.4 billion yen and payables - other by 14.3% or 6.3 billion yen to 38.1 billion yen. Long-term liabilities increased by 1.1% or 3.1 billion yen to 298.6 billion yen, owing to the increase in deferred income taxes by 43.0% or 4.6 billion yen to 15.5 billion yen.

Total net assets amounted to 1,318.2 billion yen, 0.2% or 2.2 billion yen higher than that at the end of the previous fiscal year, mainly owing to the increase in retained earnings by 0.6% or 6.4 billion yen and unrealized gains on securities by 45.0% or 8.4 billion yen, despite the decrease in common stock in treasury, at cost by 12.8% or 13.9 billion yen.

(3) Qualitative Information Regarding Consolidated Financial Projections

Projections for the consolidated financial results for the six-month period ending September 30, 2023 and the fiscal year ending March 31, 2024 have not been changed from those disclosed on May 11, 2023.

(Notes for financial projections)

Projections for the consolidated financial results for the six-month period ending September 30, 2023 and 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	June 30, 2023
ASSETS:		
Current assets:		
Cash on hand and in banks	522,396	490,031
Cash deposits for armored car services	135,459	135,989
Notes and accounts receivable - trade and contract assets	157,475	100,689
Due from subscribers	43,503	41,064
Short-term investments	26,325	26,750
Lease receivables and investment in leased assets	41,120	40,750
Merchandise and products	17,361	19,340
Real estate inventories	4,146	3,263
Work in process	5,707	6,692
Raw materials and supplies	18,482	19,500
Short-term loans receivable	2,408	2,458
Other	35,324	38,216
Allowance for doubtful accounts	(2,163)	(2,186)
Total current assets	1,007,547	922,561
Fixed assets:		
Tangible assets:		
Buildings and improvements, net	150,733	148,690
Security equipment and control stations, net	75,650	78,499
Land	123,358	126,913
Other, net	54,095	53,522
Total tangible assets	403,837	407,626
Intangible assets	132,772	131,418
Investments and others:		
Investment securities	298,364	340,891
Long-term loans receivable	25,692	25,349
Net defined benefit asset	55,551	56,441
Deferred income taxes	27,426	24,503
Other	48,770	49,740
Allowance for doubtful accounts	(10,900)	(10,900)
Total investments and others	444,905	486,025
Total fixed assets	981,515	1,025,070
Total assets	1,989,062	1,947,632

(1) Consolidated Balance Sheets (Continued)

	(In millions of yen)	
	March 31, 2023	June 30, 2023
LIABILITIES:		
Current liabilities:		
Notes and accounts payable, trade	46,985	32,945
Bank loans	29,085	22,456
Current portion of straight bonds	407	407
Lease obligations	4,704	4,777
Payables - other	44,551	38,164
Accrued income taxes	22,762	7,295
Accrued consumption taxes	8,549	11,170
Accrued expenses	11,312	11,350
Deposits received for armored car services	118,943	121,170
Deferred revenue	37,730	42,291
Accrued bonuses	19,653	14,051
Provision for losses on construction contracts	2,312	2,574
Other	30,482	22,031
Total current liabilities	377,482	330,686
Long-term liabilities:		
Straight bonds	3,081	3,079
Long-term loans	12,349	12,018
Lease obligations	14,657	14,862
Guarantee deposits received	23,662	23,638
Deferred income taxes	10,906	15,593
Accrued retirement benefits for directors and audit and supervisory board members	829	720
Net defined benefit liability	23,935	23,972
Long-term deferred revenue	16,121	16,337
Investment deposits by policyholders, unearned premiums and other insurance liabilities	186,033	184,485
Other	3,955	3,948
Total long-term liabilities	295,533	298,656
Total liabilities	673,015	629,342
NET ASSETS:		
Shareholders' equity:		
Common stock	66,427	66,427
Capital surplus	70,349	70,350
Retained earnings	1,100,791	1,107,192
Common stock in treasury, at cost	(109,224)	(123,215)
Total shareholders' equity	1,128,343	1,120,754
Accumulated other comprehensive income (losses):		
Unrealized gains on securities	18,771	27,225
Deferred losses on hedges	(3)	(2)
Foreign currency translation adjustments	10,497	11,349
Remeasurements of defined benefit plans, net of taxes	6,815	6,427
Total accumulated other comprehensive income (losses)	36,081	44,999
Noncontrolling interests	151,621	152,534
Total net assets	1,316,047	1,318,289
Total liabilities and net assets	1,989,062	1,947,632

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

Consolidated Statements of Income

	(In millions of yen)	
	Three-month period ended June 30, 2022	Three-month period ended June 30, 2023
Revenue	246,123	265,072
Costs of revenue	166,745	181,869
Gross profit	79,378	83,202
Selling, general and administrative expenses	48,959	52,611
Operating profit	30,418	30,591
Non-operating income	4,940	9,827
Non-operating expenses	934	871
Ordinary profit	34,424	39,547
Extraordinary profit	1,741	1,816
Extraordinary losses	614	188
Income before income taxes	35,551	41,174
Income taxes - current	6,799	8,361
Income taxes - deferred	4,371	4,297
Total income taxes	11,170	12,659
Net income	24,380	28,515
Net income attributable to noncontrolling interests	1,319	1,733
Net income attributable to owners of the parent	23,061	26,781

Consolidated Statements of Comprehensive Income

	(In millions of yen)	
	Three-month period ended June 30, 2022	Three-month period ended June 30, 2023
Net income	24,380	28,515
Other comprehensive income (losses):		
Unrealized gains (losses) on securities	(519)	8,821
Foreign currency translation adjustments	6,588	1,722
Remeasurements of defined benefit plans, net of taxes	(404)	(360)
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	1,951	(389)
Total other comprehensive income (losses)	7,615	9,793
Comprehensive income	31,996	38,309
Comprehensive income attributable to:		
Owners of the parent company	30,071	35,700
Noncontrolling interests	1,925	2,609

(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. As a result, the amount of treasury stock was 123,215 million yen at the end of the three-month period ended June 30, 2023, with the increase of 13,991 million yen during the three-month period ended June 30, 2023.

[Segment Information, etc.]

Segment Information

I. Three-month Period Ended June 30, 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	116,861	—	—	—	—
Other	16,517	28,350	16,166	165	11,353
Revenue from contracts with customers	133,379	28,350	16,166	165	11,353
Other revenue	2,104	—	1,856	12,187	—
Customers	135,483	28,350	18,022	12,352	11,353
Intersegment	2,752	631	52	790	49
Subtotal	138,236	28,981	18,075	13,142	11,402
Segment profit (loss)	27,506	(868)	1,371	2,503	(243)

	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	—	116,861	—	116,861	—	116,861
Other	29,878	102,431	6,432	108,864	—	108,864
Revenue from contracts with customers	29,878	219,293	6,432	225,725	—	225,725
Other revenue	—	16,148	4,249	20,398	—	20,398
Customers	29,878	235,441	10,682	246,123	—	246,123
Intersegment	2,723	6,999	395	7,395	(7,395)	—
Subtotal	32,602	242,441	11,078	253,519	(7,395)	246,123
Segment profit (loss)	3,090	33,360	1,607	34,967	(4,548)	30,418

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

Note 2: Adjustment of segment profit/(loss) includes intersegment elimination of (47) million yen and corporate expenses not allocated to each reportable segment of 4,596 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/(loss) is adjusted to operating profit in the quarterly consolidated statements of income.

II. Three-month Period Ended June 30, 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	126,738	—	—	—	—
Other	18,601	30,959	17,371	180	10,167
Revenue from contracts with customers	145,339	30,959	17,371	180	10,167
Other revenue	2,216	—	1,855	12,520	—
Customers	147,556	30,959	19,226	12,701	10,167
Intersegment	3,039	613	54	713	67
Subtotal	150,596	31,573	19,281	13,414	10,235
Segment profit (loss)	28,452	(15)	1,609	2,595	(1,301)

	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	—	126,738	—	126,738	—	126,738
Other	31,721	109,002	8,567	117,570	—	117,570
Revenue from contracts with customers	31,721	235,740	8,567	244,308	—	244,308
Other revenue	—	16,593	4,170	20,763	—	20,763
Customers	31,721	252,333	12,738	265,072	—	265,072
Intersegment	2,935	7,424	308	7,732	(7,732)	—
Subtotal	34,656	259,758	13,046	272,804	(7,732)	265,072
Segment profit (loss)	2,481	33,822	1,514	35,337	(4,745)	30,591

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/(loss) includes intersegment elimination of 27 million yen and corporate expenses not allocated to each reportable segment of 4,718 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 /(loss) is adjusted to operating profit in the quarterly consolidated statements of income.

[Significant Subsequent Events]

(Tender Offer for ARTERIA Networks Corporation)

The Company and Marubeni Corporation implemented the tender offer for the shares of common stock of ARTERIA Networks Corporation pursuant to the Financial Instruments and Exchange Act.

For further information, please refer to “Notice Concerning Results of Tender Offer for Shares of ARTERIA Networks Corporation (Securities Code: 4423)” released on August 3, 2023.

(Repurchase of the Company’s Own Shares)

The Board of Directors of the Company, at its meeting held on August 9, 2023, resolved matters regarding the repurchase of its own shares pursuant to Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of such Act.

For further information, please refer to “Notice Regarding Determination of Repurchase of the Company’s Own Shares” announced on August 9, 2023.