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QUARTERLY FINANCIAL REPORT
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2014

(Based on JAPANESE GAAP) (Consolidated)

August 6, 2014

Company name: SECOM CO., LTD. (URL: http://www.secom.co.jp/)
Code number: 9735 Tokyo Stock Exchange ---------- First Section
Representative: Hiroshi Ito, President and Representative Director
For inquiries: Junzo Nakayama, Executive Director Phone (03) 5775-8100
Scheduled date of filing Quarterly Securities Report: August 14, 2014
Scheduled date of dividend payout: —
Preparation of quarterly supplementary materials: None
Holding of quarterly results information meeting: None

1. Consolidated financial results for the three-month period ended June 30, 2014 (April 1, 2014–June 30, 2014)

(1) Consolidated operating results (In millions of yen, figures rounded down)

	Three-month Period Ended June 30	
	2013	2014
Revenue	190,641 14.6%	190,206 (0.2%)
Operating profit	27,722 19.0%	29,736 7.3%
Ordinary profit	32,494 27.3%	36,322 11.8%
Net income	19,043 24.7%	22,917 20.3%
Basic net income per share (in yen)	87.25	105.00
Diluted net income per share (in yen)	—	—

Note 1: Comprehensive income:
Three-month period ended June 30, 2014: JPY 24,580 million ((6.3%))
Three-month period ended June 30, 2013: JPY 26,242 million (50.6%)
Note 2: There is no diluted net income per share as there are no shares with dilutive effect.
Note 3: Percentage figures represent changes from the results of the corresponding period of the previous year.

(2) Consolidated financial position (In millions of yen, figures rounded down)

	March 31, 2014	June 30, 2014
Total assets	1,328,226	1,280,208
Net assets	830,369	826,728
Equity ratio	55.0%	56.7%
Net assets per share (in yen)	3,345.06	3,324.88

Note 1: Equity as of:
June 30, 2014 : JPY 725,708 million
March 31, 2014 : JPY 730,115 million

Note 2: Equity is calculated by deducting minority interests in subsidiaries 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

	Years ended March 31		
	2014	2015	2015 (projected)
1st quarter dividends per share (in yen)	–	–	
2nd quarter dividends per share (in yen)	–		60.00
3rd quarter dividends per share (in yen)	–		–
Year-end dividends per share (in yen)	115.00		65.00
Annual dividends per share (in yen)	115.00		125.00

Note: Revision of projected dividends from that most recently disclosed: None

3. Projections for the consolidated financial results for the fiscal year ending March 31, 2015 (April 1, 2014 – March 31, 2015) and the six-month period ending September 30, 2014 (April 1, 2014 – September 30, 2014)

(In millions of yen)

	Six-month period ending September 30, 2014	Year ending March 31, 2015
Projected revenue	395,400 0.8%	851,500 3.6%
Projected operating profit	56,800 0.0%	122,700 2.2%
Projected ordinary profit	58,500 (6.3%)	126,800 0.1%
Projected net income	37,600 6.1%	77,600 11.1%
Projected basic net income per share (in yen)	172.27	355.53

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, 2015 and the six-month period ending September 30, 2014 are calculated based on the number of average common shares outstanding over the three-month period ended June 30, 2014, assuming that it remains the same until March 31, 2015.

Note 3: Percentage figures represent changes from the results of the corresponding period of the previous year.

※ Note

1. Significant changes in subsidiaries during the three-month period ended June 30, 2014 (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/or restatements:

① Changes in accounting policies associated with amendment of accounting standards: Applicable
② Other changes in accounting policies: Applicable
③ Changes in accounting estimates: None
④ Restatements: None

4. Number of common shares outstanding :

① Number of common shares outstanding, including treasury stock, as of:
June 30, 2014 : 233,288,717 shares
March 31, 2014 : 233,288,717 shares

② Number of shares of treasury stock, as of:
June 30, 2014 : 15,022,492 shares
March 31, 2014 : 15,022,012 shares

③ Number of average common shares outstanding over:
The three-month period ended June 30, 2014: 218,266,420 shares
The three-month period ended June 30, 2013: 218,269,446 shares

Note on status of quarterly review procedures

This report is excluded from the scope of quarterly review procedures pursuant to the Financial Instruments and Exchange Act. Review procedures for quarterly financial statements have not been completed at the time of disclosure of this report.

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, 2014 (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, 2014

(1) Qualitative Information Regarding Consolidated Financial Results

During the three-month period ended June 30, 2014, Japanese economy has been gradually improving as shown in the some signs of recovery in the capital investment, the employment and the individual income, although there are some downward risks ascribed to the backlash of last-minute demand prior to the consumption tax rising and uncertainty of overseas economy.

In this environment, we have been continuously trying to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind, with the aim of realizing our vision for the future, “Social System Industry,” a society where everyone can live safe and secure anytime and anywhere. To this end, we have made efforts to develop and provide high-quality products and services suited to customer needs in our security services segment, as well as in our fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services segments. We also pressed forward with efforts to apply the ALL SECOM concept, which emphasizes cooperation among our various independent businesses to strengthen the bond of the Group as a whole with a view to hastening our advance to growth. Furthermore, preparing for future Japanese society, we promote the effort to develop innovative services through ALL SECOM concept, in terms of key themes: super-aged society and disaster preparedness/business continuity planning (BCP)/environmental preservation, based on a foundation of our security services.

From the end of fiscal year ended March 31, 2014, construction and installation services, previously included in security services segment, was reclassified to real estate and other services segment (refer to page 11 to 13). Revenue, profit or loss for each reportable segment of the three-month period ended June 30, 2013, were reclassified to conform to this change.

Consolidated revenue for the three-month period ended June 30, 2014 decreased by 0.2% to 190.2 billion yen ascribed to the decrease in revenue in real estate development and sales business. Consolidated operating profit increased by 7.3% to 29.7 billion yen. Consolidated ordinary profit increased by 11.8% to 36.3 billion yen, mainly due to contribution by 5.3 billion yen of net gains on private equity investment in the U.S., improving from 3.3 billion yen in the previous corresponding period. Consolidated net income increased by 20.3% to 22.9 billion yen, mainly owing to gains from sale of fixed assets of 1.6 billion yen. For the three-month period ended June 30, 2014, Consolidated operating profit, consolidated ordinary profit and consolidated net income have reached a record-high, respectively.

Segment information is as follows.

In the security services segment, revenue increased by 3.4% to 113.2 billion yen and operating profit went up by 2.9% to 27.2 billion yen, mainly due to brisk sales of on-line security systems for commercial and residential use and the increase in revenue from large-scale security systems.

In the fire protection services segment, revenue increased by 2.3% to 21.9 billion yen, mainly due to the intensive sales efforts. Operating profit was up by 777.1% to 0.8 billion yen, mainly owing to decrease in cost of revenue and selling, general and administrative expenses ascribed to the improvement of business efficiency. 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 decreased by 0.5% to 13.9 billion yen, mainly owing to the decrease in sales of medical equipment. Operating profit increased by 8.0% to 1.1 billion yen, chiefly due to the improvement of cost ratio.

In the insurance services segment, revenue increased by 1.1% to 8.6 billion yen, mainly due to the firm increase in sales of MEDCOM, an unrestricted cancer treatment policy, and fire insurance policy provided by Secom General Insurance Co., Ltd. Operating profit went up by 468.4% to 2.1 billion yen, compared to the previous corresponding period, mainly owing to the recording a reversal of unearned premiums related to damage of heavy snow in previous year and the decrease in losses incurred from damage of natural disasters, etc.

In the geographic information services segment, revenue increased by 3 million yen to 10.4 billion yen, reflecting the increase in revenue in private division and international division, despite the decrease in revenue in public division. Operating loss was 0.2 billion yen, from an operating loss of 0.1 billion yen in the previous corresponding period, mainly due to the increase in cost ratio. Revenue tends to increase toward the end of the fiscal year, due to the concentration of deliveries of public-sector contracts, which is the primary market for this segment.

In the information and communication related services segment, revenue increased by 1.6% to 11.3 billion yen. Operating profit decreased by 1.6% to 1.1 billion yen, chiefly owing to increase in operation costs relating to data center facilities.

In the real estate and other services segment, revenue decreased by 31.8% to 10.5 billion yen, chiefly due to the decrease in revenue in real estate development and sales business ascribed to the release of large-scale condominiums during the first quarter of the fiscal year ending March 31, 2014. Operating profit went down by 52.2% to 1.0 billion yen.

(2) Qualitative Information Regarding Consolidated Financial Position

Consolidated Balance Sheets

Total assets as of June 30, 2014 amounted to 1,280.2 billion yen, 3.6% or 48.0 billion yen lower than that at the end of the previous fiscal year. Total current assets, at 515.1 billion yen, were down 7.8% or 43.3 billion yen. This was largely attributable to decreases in notes and accounts receivable, trade by 34.8% or 40.1 billion yen to 75.1 billion yen, cash deposits for armored car services by 8.9% or 5.2 billion yen to 53.3 billion yen, and cash and cash equivalents by 1.8% or 3.7 billion yen to 206.7 billion yen, despite the increase in short-term investments by 34.2% or 4.4 billion yen to 17.3 billion yen. Total fixed assets, at 765.0 billion yen, were down 0.6% or 4.6 billion yen. This was mainly attributable to decreases in deferred income taxes by 40.6% or 5.4 billion yen to 8.0 billion yen, intangible assets by 9.0% or 4.8 billion yen to 48.7 billion yen, despite the increase in net defined benefit asset by 28.7% or 5.0 billion yen to 22.6 billion yen.

Total liabilities amounted to 453.4 billion yen, 8.9% or 44.3 billion yen lower than that at the end of the previous fiscal year. Total current liabilities amounted to 206.0 billion yen, down 19.7% or 50.6 billion yen, owing to decreases in accrued income taxes by 85.7% or 23.7 billion yen to 3.9 billion yen, notes and accounts payable, trade by 28.4% or 14.0 billion yen to 35.3 billion yen, and bank loans by 24.9% or 12.9 billion yen to 39.1 billion yen. Long-term liabilities increased by 2.6% or 6.2 billion yen to 247.4 billion yen, compared to that at the end of the previous fiscal year. This was mainly attributable to the increases in long-term loans by 32.8% or 5.6 billion yen to 22.9 billion yen, and deferred income taxes by 16.7% or 1.8 billion yen to 13.0 billion yen, despite the decreases in guarantee deposits received by 1.9% or 0.6 billion yen to 35.8 billion yen, and investment deposits by policyholders, unearned premiums and other insurance liabilities by 0.4% or 0.6 billion yen to 140.4 billion yen.

Total net assets amounted to 826.7 billion yen, 0.4% or 3.6 billion yen lower than that at the end of the previous fiscal year, mainly due to the decreases in capital surplus by 3.3% or 2.7 billion yen, and foreign currency translation adjustments by 24.5% or 2.6 billion yen, despite the increase in unrealized gains on securities by 14.2% or 1.7 billion yen.

(3) Qualitative Information Regarding Consolidated Financial Projections

The financial results for the three-month period ended June 30, 2014 were generally within our projections.

Accordingly, projections for the consolidated financial results for the six-month period ending September 30, 2014 and the fiscal year ending March 31, 2015 have not been changed from those disclosed on May 8, 2014.

(Notes for financial projections)

Projections for the consolidated financial results for the six-month period ending September 30, 2014 and the fiscal year ending March 31, 2015, 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 and the results of contingency.

2. Items Regarding the Summary Information (Other)

(1) Significant Changes in Subsidiaries in the Three-month Period Ended June 30, 2014

Not applicable.

(2) Adoption of Unique Accounting Treatment for Preparation of Consolidated Quarterly Financial Statements

Not applicable.

(3) Changes in Accounting Policies, Accounting Estimates and/or Restatements

Change in Accounting Policies

[Application of the Accounting Standard for Business Combinations, etc.]

The "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013, hereinafter referred to as the "Accounting Standard for Business Combinations"), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013, hereinafter referred to as the "Accounting Standard for Consolidated Financial Statements"), and "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013, hereinafter referred to as the "Accounting Standard for Business Divestitures") could be applied from the beginning of the three-month period ended June 30, 2014. Accordingly, we applied these accounting standards (excluding the section 39 of the Accounting Standard for Consolidated Financial Statements) from the three-month period ended June 30, 2014. Under these accounting standards, we recorded the differences caused by changes in our equity shares in subsidiaries in which we continue to control as capital surplus. In addition, we recorded acquisition-related costs as expenses in the three-month period in which the costs were incurred. Regarding business combinations that occur from the beginning of the three-month period ended June 30, 2014, acquisition costs based on provisional estimates shall be reflected in the quarterly consolidated financial statements for the quarter of the fiscal year in which the date of the business combination falls.

In accordance with transitional treatment based on the section 58-2(3) of the Accounting Standard for Business Combinations, the section 44-5(3) of the Accounting Standard for Consolidated Financial Statements, and the section 57-4(3) of the Accounting Standard for Business Divestitures, which stipulates transitional treatment of the new standards, at the beginning of the three-month period ended June 30, 2014, the cumulative effects of retrospective application of these standards to all past fiscal years were adjusted to the capital surplus and the retained earnings.

As a result, at the beginning of the three-month period ended June 30, 2014, goodwill decreased by 4,100 million yen, capital surplus decreased by 2,762 million yen, and retained earnings decreased by 1,336 million yen. During the three-month period ended June 30, 2014, consolidated operating profit increased by 165 million yen, consolidated ordinary profit and consolidated income before income taxes increased by 132 million yen, respectively.

[Application of the Accounting Standard for Retirement Benefits, etc.]

From the three-month period ended June 30, 2014, the section 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012, hereinafter referred to as the "Accounting Standard for Retirement Benefits") and the section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012, hereinafter referred to as the "Guidance on Retirement Benefits") have been applied. Accordingly, we reviewed the calculation method of retirement benefit liabilities and service costs and changed the method of attribution period for estimated amount of retirement benefits from the straight-line basis to the benefit formula basis, and changed the method of determining the discount rate, regarding the bond interest rate which is the basis of determining discount rate, from a method using the discount rate based on the average remaining service period of employees to a method using the weighted average discount rate which reflects the estimate number of years of benefit payment and its amount in each year.

In accordance with the section 37 in the Accounting Standard for Retirement Benefits, which stipulates transitional treatment of the new standard, at the beginning of the three-month period ended June 30, 2014, the effect of changes in calculation method for the retirement benefit liabilities and service costs were adjusted to the retained earnings.

As a result, at the beginning of the three-month period ended June 30, 2014, net defined benefit asset increased by 4,456 million yen, net defined benefit liability increased by 750 million yen, and retained earnings increased by 2,542 million yen. During the three-month period ended June 30, 2014, consolidated operating profit, consolidated ordinary profit, and consolidated income before income taxes decreased by 59 million yen, respectively.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Balance Sheets

(In millions of yen)

	March 31, 2014	June 30, 2014
ASSETS:		
Current assets:	**558,574**	**515,185**
Cash on hand and in banks	210,514	206,784
Cash deposits for armored car services	58,597	53,373
Call loans	20,500	17,500
Notes and accounts receivable, trade	115,318	75,189
Due from subscribers	25,174	25,543
Short-term investments	12,955	17,382
Lease receivables and investment in leased assets	33,188	36,736
Merchandises and products	14,186	13,278
Real estate inventories	33	33
Work in process	4,602	3,508
Costs on uncompleted construction contracts	8,983	10,292
Work in process for real estate inventories	15,396	18,164
Raw materials and supplies	7,573	7,412
Deferred income taxes	13,254	9,725
Short-term loans receivable	2,699	3,022
Other	17,623	19,103
Allowance for doubtful accounts	(2,026)	(1,865)
Fixed assets:	**769,633**	**765,004**
Tangible assets:	**360,833**	**358,328**
Buildings and improvements	153,278	150,808
Security equipment and control stations	68,759	69,372
Land	113,946	113,431
Other	24,849	24,715
Intangible assets	**53,596**	**48,761**
Investments and others:	**355,203**	**357,913**
Investment securities	246,233	248,877
Long-term loans receivable	45,701	45,942
Net defined benefit asset	17,612	22,663
Deferred income taxes	13,521	8,025
Other	48,486	48,819
Allowance for doubtful accounts	(16,352)	(16,415)
Deferred assets	**17**	**17**
Total assets	**1,328,226**	**1,280,208**

(1) Consolidated Balance Sheets (Continued)

(In millions of yen)

	March 31, 2014	June 30, 2014
LIABILITIES:		
Current liabilities:	**256,684**	**206,022**
Notes and accounts payable, trade	49,409	35,357
Bank loans	52,120	39,135
Current portion of straight bonds	4,640	4,597
Lease obligations	579	542
Payables - other	31,316	27,186
Accrued income taxes	27,744	3,974
Accrued consumption taxes	4,151	6,468
Accrued expenses	4,625	4,881
Deferred revenue	31,027	33,976
Accrued bonuses	14,437	9,042
Provision for loss on construction contracts	1,981	1,650
Other	34,649	39,209
Long-term liabilities:	**241,171**	**247,457**
Straight bonds	7,796	7,706
Long-term loans	17,256	22,924
Lease obligations	4,183	3,915
Guarantee deposits received	36,542	35,846
Deferred income taxes	11,169	13,030
Accrued retirement benefits for directors and corporate auditors	1,635	1,532
Net defined benefit liability	18,569	19,270
Investment deposits by policyholders, unearned premiums and other insurance liabilities	141,099	140,464
Other	2,918	2,766
Total liabilities	**497,856**	**453,479**
NET ASSETS:		
Shareholders' equity:	**732,036**	**728,289**
Common stock	66,377	66,377
Capital surplus	83,054	80,287
Retained earnings	656,286	655,309
Common stock in treasury, at cost	(73,682)	(73,685)
Accumulated other comprehensive income:	**(1,921)**	**(2,581)**
Unrealized gains (losses) on securities	12,504	14,285
Deferred gains (losses) on hedges	(33)	(37)
Foreign currency translation adjustments	(10,885)	(13,556)
Remeasurements of defined benefit plans, net of taxes	(3,506)	(3,272)
Minority interests in subsidiaries	**100,253**	**101,019**
Total net assets	**830,369**	**826,728**
Total liabilities and net assets	**1,328,226**	**1,280,208**

(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, 2013	Three-month period ended June 30, 2014
Revenue	**190,641**	**190,206**
Costs of revenue	124,502	121,783
Gross profit	66,138	68,422
Selling, general and administrative expenses	38,416	38,686
Operating profit	**27,722**	**29,736**
Non-operating income	5,980	7,529
Non-operating expenses	1,209	942
Ordinary profit	**32,494**	**36,322**
Extraordinary profit	11	1,789
Extraordinary losses	26	112
Income before income taxes	**32,479**	**37,999**
Income taxes - current	7,823	4,079
Income taxes - deferred	3,531	8,614
Total income taxes	11,355	12,694
Net income before minority interests in subsidiaries	21,124	25,305
Minority interests in subsidiaries	2,081	2,387
Net income	**19,043**	**22,917**

Consolidated Statements of Comprehensive Income

(In millions of yen)

	Three-month period ended June 30, 2013	Three-month period ended June 30, 2014
Net income before minority interests in subsidiaries	**21,124**	**25,305**
Other comprehensive income:	**5,117**	**(724)**
Unrealized gains (losses) on securities	(1,220)	1,850
Foreign currency translation adjustments	4,725	(1,592)
Remeasurements of defined benefit plans, net of taxes	-	149
Share of other comprehensive income of affiliated companies accounted for under the equity method	1,612	(1,132)
Comprehensive income	**26,242**	**24,580**
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	23,494	22,257
Comprehensive income attributable to minority interests	2,747	2,322

(3) Notes Regarding the Consolidated Quarterly Financial Statement

[Notes Regarding the Assumption of Going Concern]

Not applicable.

[Notes Regarding Significant Changes in Shareholders' Equity]

Not applicable.

(4) Segment Information, etc.

[Segment Information]

I. Three-month Period Ended June 30, 2013

1. Information About Amounts of Revenue and Profit or Loss by Reportable Segments

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Revenue:					
Customers	109,531	21,474	13,993	8,563	10,471
Intersegment	3,241	1,242	42	789	24
Subtotal	112,772	22,717	14,035	9,352	10,496
Segment profit (loss)	26,519	98	1,065	371	(113)

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	Information and communication related services	Subtotal				
Revenue:						
Customers	11,208	175,242	15,399	190,641	-	190,641
Intersegment	1,096	6,436	554	6,990	(6,990)	-
Subtotal	12,304	181,678	15,953	197,632	(6,990)	190,641
Segment profit (loss)	1,166	29,107	2,156	31,264	(3,541)	27,722

Note 1: Real estate and other services is an operating segment not designated as a reportable segment, and comprises real estate development and sales, real estate leasing, construction and installation services, hotel businesses, etc.

Note 2: Adjustment of segment profit/loss includes intersegment eliminations of 282 million yen and corporate expenses not allocated to each reportable segment of 3,258 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 consolidated statements of income.

II. Three-month Period Ended June 30, 2014

1. Information About Amounts of Revenue and Profit or Loss by Reportable Segments

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Revenue:					
Customers	113,284	21,974	13,922	8,660	10,474
Intersegment	3,446	1,399	35	798	84
Subtotal	116,731	23,373	13,957	9,459	10,559
Segment profit (loss)	27,277	867	1,150	2,110	(246)

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	Information and communication related services	Subtotal				
Revenue:						
Customers	11,384	179,700	10,505	190,206	-	190,206
Intersegment	1,448	7,213	564	7,777	(7,777)	-
Subtotal	12,832	186,914	11,069	197,984	(7,777)	190,206
Segment profit (loss)	1,147	32,306	1,030	33,336	(3,600)	29,736

Note 1: Real estate and other services is an operating segment not designated as a reportable segment, and comprises real estate development and sales, real estate leasing, construction and installation services, hotel businesses, etc.

Note 2: Adjustment of segment profit/loss includes intersegment eliminations of 261 million yen and corporate expenses not allocated to each reportable segment of 3,338 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 consolidated statements of income.

2. Information About Changes in Reportable Segments

We recognize the significance of construction and installation services is increasing, resulting from the acquisition of Toko Create Co., Ltd., a subsidiary newly consolidated at the end of March 2014. Therefore, from the previous fiscal year, construction and installation services, formerly included in security services segment, was reclassified to real estate and other services segment, which is an operating segment not designated as reportable segments to disclose business activities more adequately and improve the effectiveness of segment information.

Segment information in three-month period ended June 30, 2013, was reclassified to conform to this change.

[Application of the Accounting Standard for Business Combinations, etc.]

As described in “Changes in Accounting Policies, Accounting Estimates and/or Restatements” on page 5 in the appendices, from the three-month period ended June 30, 2014, we recorded the differences caused by changes in our equity shares in subsidiaries in which we continues to control as capital surplus. In addition, we recorded acquisition-related costs as expenses in the fiscal periods in which the costs were incurred.

Due to these changes, during the three-month period ended June 30, 2014, segment profit in the security services segment increased by 145 million yen, segment profit in the fire protection services segment increased by 2 million yen, segment profit in the insurance services segment increased by 11 million yen, segment profit in the geographic information services segment increased by 1 million yen, and segment profit in the information and communication related services segment increased by 3 million yen.

[Application of the Accounting Standard for Retirement Benefits, etc.]

As described in “Changes in Accounting Policies, Accounting Estimates and/or Restatements” on page 5 in the appendices, from the three-month period ended June 30, 2014, we changed the calculation method of retirement benefit liabilities and service costs.

Due to these changes, during the three-month period ended June 30, 2014, segment profit in the security services segment decreased by 36 million yen, segment profit in the fire protection services segment decreased by 10 million yen, segment profit in the insurance services segment decreased by 2 million yen, segment profit in the geographic information services segment decreased by 6 million yen, segment profit in the information and communication related services segment decreased by 1 million yen, and segment profit in the real estate and other services segment decreased by 0 million yen.

3. Information About Impairment Loss on Fixed Assets and Goodwill by Reportable Segments

(Significant Changes in Goodwill)

Goodwill decreased due to the application of the Accounting Standard for Business Combinations (ASBJ Statement No.21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, September 13, 2013), and Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013) from the three-month period ended June 30, 2014.

The amount of goodwill decreased by 3,675 million yen in the security services segment, 10 million yen in the fire protection services segment, 219 million yen in the insurance services segment, 1 million yen in the geographic information services segment, and 192 million yen in the information and communication related services segment for the three-month period ended June 30, 2014.

(5) Significant Subsequent Events

Not applicable.