

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, 2016

(Based on JAPANESE GAAP) (Consolidated)

August 5, 2016

Company name: SECOM CO., LTD. (URL: <http://www.secom.co.jp/>)
 Code number: 9735 Tokyo Stock Exchange ----- First Section
 Representative: Yasuo Nakayama, President and Representative Director
 For inquiries: Junzo Nakayama, Executive Director Phone (03) 5775-8100
 Scheduled date of filing Quarterly Securities Report: August 12, 2016
 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, 2016 (April 1, 2016–June 30, 2016)

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

	Three-month Period Ended June 30	
	2015	2016
Revenue	198,204 4.2%	213,127 7.5%
Operating profit	30,674 3.2%	30,018 (2.1%)
Ordinary profit	32,327 (11.0%)	31,953 (1.2%)
Net income attributable to owners of the parent	20,518 (10.5%)	20,045 (2.3%)
Basic net income per share (in yen)	94.01	91.84
Diluted net income per share (in yen)	—	—

Note 1: Comprehensive income:

Three-month period ended June 30, 2016: JPY 10,501 million [(57.6%)]

Three-month period ended June 30, 2015: JPY 24,766 million (0.8%)

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, 2016	June 30, 2016
Total assets	1,568,052	1,518,329
Net assets	943,144	938,893
Equity ratio	53.1%	54.5%
Net assets per share (in yen)	3,817.82	3,792.95

Note 1: Equity as of:

June 30, 2016 : JPY 827,855 million

March 31, 2016 : JPY 833,284 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		
	2016	2017	2017 (projected)
1 st quarter dividends per share (in yen)	–	–	–
2 nd quarter dividends per share (in yen)	65.00	–	70.00
3 rd quarter dividends per share (in yen)	–	–	–
Year-end dividends per share (in yen)	70.00	–	75.00
Annual dividends per share (in yen)	135.00	–	145.00

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, 2017 (April 1, 2016 – March 31, 2017) and the six-month period ending September 30, 2016 (April 1, 2016 – September 30, 2016)

(In millions of yen)

	Six-month period ending September 30, 2016	Year ending March 31, 2017
Projected revenue	438,200 7.2%	933,900 6.0%
Projected operating profit	58,700 (2.5%)	130,000 1.1%
Projected ordinary profit	61,100 (3.1%)	135,100 0.2%
Projected net income attributable to owners of the parent	38,000 (5.1%)	82,300 6.8%
Projected basic net income per share (in yen)	174.10	377.07

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, 2017 and the six-month period ending September 30, 2016 are calculated based on the number of average common shares outstanding over the three-month period ended June 30, 2016, assuming that it remains the same until March 31, 2017.

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, 2016 (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: None
 - 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, 2016 : 233,288,717 shares
 - March 31, 2016 : 233,288,717 shares
 - ② Number of shares of treasury stock, as of:
 - June 30, 2016 : 15,026,976 shares
 - March 31, 2016 : 15,026,824 shares
 - ③ Number of average common shares outstanding over:
 - The three-month period ended June 30, 2016: 218,261,762 shares
 - The three-month period ended June 30, 2015: 218,263,639 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, 2016 (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, 2016..... - 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. Items Regarding the Summary Information (Other) - 4 -
 - (1) Significant Changes in Subsidiaries in the Three-month Period Ended June 30, 2016..... - 4 -
 - (2) Adoption of Unique Accounting Treatment for Preparation of Consolidated Quarterly Financial Statements
..... - 4 -
 - (3) Changes in Accounting Policies, Accounting Estimates and/or Restatements - 4 -
- 3. Consolidated Quarterly Financial Statements - 6 -
 - (1) Consolidated Balance Sheets - 6 -
 - (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income - 8 -
 - (3) Notes Regarding the Consolidated Quarterly Financial Statement..... - 9 -
 - (4) Segment Information, etc..... - 10 -
 - (5) Significant Subsequent Events - 11 -

1. Qualitative Information Regarding the Three-month Period Ended June 30, 2016

(1) Qualitative Information Regarding Consolidated Financial Results

During the three-month period ended June 30, 2016, despite the upward trend in employment and individual income levels, stagnations in corporate earnings and private consumption were seen, and the outlook for Japanese economy has been remained unclear mainly due to the increased uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets.

In this environment, we have been continuously trying to satisfy the increasingly diversified and sophisticated needs of our customers for their security, peace of mind, convenience and comfort, 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.

In May 2016, we contributed for the safe staging of international conferences, the Ise-Shima G7 Summit Meeting and the Meeting of Ministers of Science held in Ibaraki-Tsukuba, in cooperation with relevant authorities. At the G7 Summit Meeting, the SECOM Airship overhead provided captured images which were monitored on the ground to detect any suspicious individuals etc. In addition, at the Meeting of Ministers of Science, the SECOM Drone Detection System was installed to promptly detect any suspicious drones that might appear, and security guards on the ground were equipped with wearable cameras, allowing staff at security headquarters to check images from patrolling guards in real time.

Consolidated revenue for the three-month period ended June 30, 2016 increased by 7.5% to 213.1 billion yen, chiefly owing to the contribution of Asahi Security Co., Ltd., a subsidiary newly consolidated from December 2015. Consolidated operating profit decreased by 2.1% to 30.0 billion yen, mainly due to the increase in cost ratio and selling, general and administrative expenses. Consolidated ordinary profit decreased by 1.2% to 31.9 billion yen. Consolidated net income attributable to owners of the parent decreased by 2.3% to 20.0 billion yen. For the three-month period ended June 30, 2016, consolidated revenue has reached a record-high.

Segment information is as follows.

In the security services segment, revenue increased by 13.2% to 130.1 billion yen, mainly due to brisk sales of on-line security systems for commercial and residential use and security merchandise including access control systems and security camera systems and owing to the contribution of Asahi Security Co., Ltd., a newly consolidated subsidiary. Operating profit went up by 0.8% to 28.0 billion yen,

In the fire protection services segment, revenue decreased by 7.2% to 24.1 billion yen and operating profit was down by 25.0% to 1.4 billion yen, mainly attributable to the contribution of large-scale projects in the previous corresponding period despite of active marketing efforts. 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 4.8% to 15.5 billion yen, mainly due to firm increase in sales of pharmaceutical products and medical equipment. Operating profit decreased by 9.3% to 1.2 billion yen, chiefly owing to the increase in cost ratio.

In the insurance services segment, revenue increased by 3.7% to 9.7 billion yen, mainly due to the firm increase in sales of MEDCOM, an unrestricted cancer treatment policy provided by Secom General Insurance Co., Ltd. Operating profit went down by 51.6% to 0.8 billion yen, mainly owing to the increase in losses incurred from the 2016 Kumamoto Earthquake.

In the geographic information services segment, revenue increased by 0.7% to 9.9 billion yen, reflecting the increase in revenue in domestic division, despite the decrease in revenue in international division. Operating loss was 0.7 billion yen, from an operating loss of 0.8 billion yen in the previous corresponding period, mainly due to the improvement in cost ratio in domestic public division and international division. 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 information and communication related services segment, revenue increased by 4.0% to 11.7 billion yen, chiefly owing to the increase in revenue in data center and contribution of “SECOM *Anshin* My Number Service” launched in the previous fiscal year. Operating profit increased by 40.6% to 1.7 billion yen, chiefly owing to decrease in operation costs relating to data center facilities.

In the real estate and other services segment, revenue increased by 0.7% to 11.7 billion yen. Operating profit went down by 7.6% to 1.2 billion yen, mainly due to the increase in cost ratio in the real estate development and sales business.

(2) Qualitative Information Regarding Consolidated Financial Position

Consolidated Balance Sheets

Total assets as of June 30, 2016 amounted to 1,518.3 billion yen, 3.2% or 49.7 billion yen lower than that at the end of the previous fiscal year. Total current assets, at 653.8 billion yen, were down 5.2% or 35.8 billion yen. This was largely attributable to increase in cash on hand and in banks by 6.5% or 14.8 billion yen to 243.3 billion yen, despite the decreases in notes and accounts receivable, trade by 35.1% or 42.8 billion yen to 79.2 billion yen, and short-term investments by 20.7% or 7.1 billion yen to 27.3 billion yen. Total fixed assets, at 864.4 billion yen, were down 1.6% or 13.8 billion yen. This was mainly attributable to decreases in investment securities by 4.4% or 11.6 billion yen to 252.7 billion yen, and tangible assets by 0.4% or 1.3 billion yen to 374.9 billion yen.

Total liabilities amounted to 579.4 billion yen, 7.3% or 45.4 billion yen lower than that at the end of the previous fiscal year. Total current liabilities amounted to 303.2 billion yen, down 12.8% or 44.3 billion yen, owing to decreases in bank loans by 39.8% or 22.0 billion yen to 33.2 billion yen, accrued income taxes by 69.7% or 15.5 billion yen to 6.7 billion yen, and notes and accounts payable, trade by 18.2% or 7.6 billion yen to 34.1 billion yen. Long-term liabilities decreased by 0.4% or 1.0 billion yen to 276.1 billion yen, compared to that at the end of the previous fiscal year. This was mainly attributable to the increase in investment deposits by policyholders, unearned premiums and other insurance liabilities by 0.9% or 1.3 billion yen to 161.0 billion yen, despite the decreases in long-term loans by 6.1% or 1.2 billion yen to 18.8 billion yen, and other by 18.1% or 0.7 billion yen to 3.4 billion yen.

Total net assets amounted to 938.8 billion yen, 0.5% or 4.2 billion yen lower than that at the end of the previous fiscal year, mainly due to the increase in retained earnings by 0.7% or 5.2 billion yen, despite the decreases in foreign currency translation adjustments by 316.0% or 6.9 billion yen, and unrealized gains on securities by 20.7% or 4.1 billion yen.

(3) Qualitative Information Regarding Consolidated Financial Projections

The financial results for the three-month period ended June 30, 2016 were generally within our projections.

Accordingly, projections for the consolidated financial results for the six-month period ending September 30, 2016 and the fiscal year ending March 31, 2016 have not been changed from those disclosed on May 11, 2016.

(Notes for financial projections)

Projections for the consolidated financial results for the six-month period ending September 30, 2016 and the fiscal year ending March 31, 2017, 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, 2016

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

Changes in Accounting Policies

[Application of “Revised Implementation Guidance on Recoverability of Deferred Tax Assets”]

The Company and its domestic subsidiaries adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26, March 28, 2016 (hereinafter, “Guidance No.26”)) from the first quarter ended June 30, 2016 and revised certain accounting for recoverability of deferred tax assets accordingly.

The Company and its domestic subsidiaries followed the provisional treatments in Article 49 (4) of Guidance No.26. The differences between deferred tax assets and liabilities as of April 1,2016 that were computed in accordance with ① to ③ of Article 49 (3) and those as of March 31, 2016, were adjusted to retained earnings as of April 1, 2016.

As a result, deferred income taxes (investments and others) increased by 381 million yen, deferred income taxes (long-term liabilities) decreased by 256 million yen, retained earnings increased by 526 million yen, and noncontrolling interests increased by 111 million yen as of April 1, 2016

3. Consolidated Quarterly Financial Statements

(1) Consolidated Balance Sheets

(In millions of yen)

	March 31, 2016	June 30, 2016
ASSETS:		
Current assets:	689,744	653,883
Cash on hand and in banks	228,458	243,304
Cash deposits for armored car services	128,267	127,424
Notes and accounts receivable, trade	122,048	79,221
Due from subscribers	31,812	36,021
Short-term investments	34,448	27,319
Lease receivables and investment in leased assets	39,542	38,682
Merchandise and products	13,099	13,647
Real estate inventories	3,527	2,582
Work in process	5,557	5,636
Costs on uncompleted construction contracts	9,070	10,715
Work in process for real estate inventories	23,024	22,697
Raw materials and supplies	8,579	8,446
Deferred income taxes	12,728	10,400
Short-term loans receivable	4,086	4,700
Other	27,375	24,764
Allowance for doubtful accounts	(1,883)	(1,682)
Fixed assets:	878,293	864,433
Tangible assets:	376,305	374,963
Buildings and improvements, net	148,828	147,176
Security equipment and control stations, net	71,447	72,358
Land	116,613	117,133
Other, net	39,415	38,294
Intangible assets	119,505	118,088
Investments and others:	382,482	371,382
Investment securities	264,400	252,720
Long-term loans receivable	39,401	38,538
Net defined benefit asset	30,796	30,527
Deferred income taxes	8,602	10,291
Other	54,978	54,916
Allowance for doubtful accounts	(15,698)	(15,612)
Deferred assets	14	12
Total assets	1,568,052	1,518,329

(1) Consolidated Balance Sheets (Continued)

(In millions of yen)

	March 31, 2016	June 30, 2016
LIABILITIES:		
Current liabilities:	347,633	303,240
Notes and accounts payable, trade	41,794	34,183
Bank loans	55,283	33,260
Current portion of straight bonds	2,582	2,442
Lease obligations	4,724	4,792
Payables - other	38,376	31,293
Accrued income taxes	22,341	6,762
Accrued consumption taxes	6,611	7,350
Accrued expenses	5,562	5,818
Deposits received for armored car services	101,306	105,803
Deferred revenue	31,389	33,170
Accrued bonuses	15,524	10,276
Provision for loss on construction contracts	1,397	1,420
Other	20,738	26,665
Long-term liabilities:	277,274	276,195
Straight bonds	8,251	8,145
Long-term loans	20,033	18,805
Lease obligations	11,954	11,903
Guarantee deposits received	35,002	34,665
Deferred income taxes	14,026	14,272
Accrued retirement benefits for directors and audit and supervisory board members	1,387	1,235
Net defined benefit liability	22,816	22,740
Investment deposits by policyholders, unearned premiums and other insurance liabilities	159,636	161,014
Other	4,166	3,412
Total liabilities	624,907	579,435
NET ASSETS:		
Shareholders' equity:	816,340	821,628
Common stock	66,377	66,377
Capital surplus	80,326	80,322
Retained earnings	743,353	748,647
Common stock in treasury, at cost	(73,717)	(73,719)
Accumulated other comprehensive income:	16,944	6,227
Unrealized gains on securities	19,964	15,838
Deferred losses on hedges	(40)	(41)
Foreign currency translation adjustments	(2,196)	(9,137)
Remeasurements of defined benefit plans, net of taxes	(783)	(431)
Noncontrolling Interests	109,859	111,037
Total net assets	943,144	938,893
Total liabilities and net assets	1,568,052	1,518,329

(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, 2015	Three-month period ended June 30, 2016
Revenue	198,204	213,127
Costs of revenue	128,789	140,318
Gross profit	69,414	72,809
Selling, general and administrative expenses	38,739	42,791
Operating profit	30,674	30,018
Non-operating income	2,463	3,523
Non-operating expenses	811	1,588
Ordinary profit	32,327	31,953
Extraordinary profit	156	118
Extraordinary losses	54	82
Income before income taxes	32,428	31,988
Income taxes - current	6,320	7,100
Income taxes - deferred	4,037	3,200
Total income taxes	10,358	10,301
Net income	22,070	21,687
Net income attributable to noncontrolling interests	1,552	1,641
Net income attributable to owners of the parent	20,518	20,045

Consolidated Statements of Comprehensive Income

(In millions of yen)

	Three-month period ended June 30, 2015	Three-month period ended June 30, 2016
Net income	22,070	21,687
Other comprehensive income (losses):	2,695	(11,186)
Unrealized gains (losses) on securities	3,201	(4,331)
Foreign currency translation adjustments	(664)	(5,094)
Remeasurements of defined benefit plans, net of taxes	80	262
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	77	(2,023)
Comprehensive income	24,766	10,501
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	23,127	9,328
Comprehensive income attributable to noncontrolling interests	1,638	1,172

(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, 2015

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	115,057	26,056	14,848	9,368	9,883
Intersegment	2,943	1,083	43	776	41
Subtotal	118,001	27,139	14,892	10,145	9,925
Segment profit (loss)	27,864	1,870	1,396	1,676	(887)

	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	11,300	186,515	11,688	198,204	-	198,204
Intersegment	2,292	7,181	469	7,651	(7,651)	-
Subtotal	13,593	193,697	12,158	205,855	(7,651)	198,204
Segment profit (loss)	1,225	33,145	1,391	34,536	(3,861)	30,674

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, etc.

Note 2: Adjustment of segment profit/loss includes intersegment eliminations of 48 million yen and corporate expenses not allocated to each reportable segment of 3,813 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, 2016

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	130,189	24,186	15,564	9,714	9,954
Intersegment	2,982	758	49	798	97
Subtotal	133,172	24,944	15,614	10,512	10,051
Segment profit (loss)	28,093	1,402	1,266	811	(750)

	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	11,752	201,361	11,766	213,127	-	213,127
Intersegment	1,756	6,442	472	6,915	(6,915)	-
Subtotal	13,508	207,804	12,239	220,043	(6,915)	213,127
Segment profit (loss)	1,722	32,546	1,285	33,832	(3,813)	30,018

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, etc.

Note 2: Adjustment of segment profit/loss includes intersegment eliminations of $\triangle 48$ million yen and corporate expenses not allocated to each reportable segment of 3,862 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.

(5) Significant Subsequent Events

Not applicable.