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QUARTERLY FINANCIAL REPORT FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2017

(Based on JAPANESE GAAP) (Consolidated)

August 8, 2017

Company name: SECOM CO., LTD. (URL: <https://www.secom.co.jp/>)
 Code number: 9735 Tokyo Stock Exchange ----- First Section
 Representative: Yasuo Nakayama, President and Representative Director
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 Scheduled date of filing Quarterly Securities Report: August 14, 2017
 Scheduled date of dividend payout: —
 Preparation of quarterly supplementary materials: Applicable
 Holding of quarterly results information meeting: None

1. Consolidated financial results for the three-month period ended June 30, 2017 (April 1, 2017–June 30, 2017)

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

	Three-month Period Ended June 30	
	2016	2017
Revenue	213,127 7.5%	216,209 1.4%
Operating profit	30,018 (2.1%)	29,373 (2.1%)
Ordinary profit	31,953 (1.2%)	31,993 0.1%
Net income attributable to owners of the parent	20,045 (2.3%)	20,585 2.7%
Basic net income per share (in yen)	91.84	94.31
Diluted net income per share (in yen)	—	—

Note 1: Comprehensive income:

Three-month period ended June 30, 2017: JPY 20,667 million [96.8%]

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

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, 2017	June 30, 2017
Total assets	1,650,176	1,602,655
Net assets	1,013,253	1,013,174
Equity ratio	54.1%	55.8%
Net assets per share (in yen)	4,086.87	4,100.47

Note 1: Equity as of:

June 30, 2017 : JPY 894,969 million

March 31, 2017 : JPY 892,000 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		
	2017	2018	2018 (projected)
1 st quarter dividends per share (in yen)	–	–	–
2 nd quarter dividends per share (in yen)	70.00	–	75.00
3 rd quarter dividends per share (in yen)	–	–	–
Year-end dividends per share (in yen)	75.00	–	80.00
Annual dividends per share (in yen)	145.00	–	155.00

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, 2018 (April 1, 2017 – March 31, 2018) and the six-month period ending September 30, 2017 (April 1, 2017 – September 30, 2017)

(In millions of yen)

	Six-month period ending September 30, 2017	Year ending March 31, 2018
Projected revenue	445,000 1.1%	940,000 1.3%
Projected operating profit	57,900 (6.8%)	132,400 1.0%
Projected ordinary profit	60,000 (10.9%)	139,200 (5.3%)
Projected net income attributable to owners of the parent	37,400 (8.5%)	84,800 0.7%
Projected basic net income per share (in yen)	171.36	388.53

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, 2018 and the six-month period ending September 30, 2017 are calculated based on the number of average common shares outstanding over the three-month period ended June 30, 2017, assuming that it remains the same until March 31, 2018.

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

※ **Notes**

1. Significant changes in subsidiaries during the three-month period ended June 30, 2017 (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: None
 - 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, 2017 : 233,288,717 shares
 - March 31, 2017 : 233,288,717 shares
 - ② Number of shares of treasury stock, as of:
 - June 30, 2017 : 15,028,727 shares
 - March 31, 2017 : 15,028,470 shares
 - ③ Number of average common shares outstanding over:
 - The three-month period ended June 30, 2017: 218,260,042 shares
 - The three-month period ended June 30, 2016: 218,261,762 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, 2017 (3) Qualitative Information Regarding Consolidated Financial Projections” on page 4 in the appendices.

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1. Qualitative Information Regarding the Three-month Period Ended June 30, 2017

(1) Qualitative Information Regarding Consolidated Financial Results

During the three-month period ended June 30, 2017, Japanese economy has been in a moderate upward trend as shown in improvements in corporate earnings and employment environment, among others. On the other hand, continual attentions to the effects of uncertainties in overseas economies related to the normalization of the U.S. monetary policy, the outlook for the emerging economies including China, U.K. exiting the E.U. (BREXIT), as well as fluctuations in the financial and capital markets have been required.

In this environment, we have been continuously pushing forward with efforts to establish “Social System Industry” which deliver safety and peace of mind, as well as make life more comfortable and convenient, whenever and wherever necessary for everyone. In May 2017, we formulated the SECOM Group’s Vision for 2030. Guided by this vision, we have been continuously promoting the “ALL SECOM” concept, which emphasizes cooperation among our various businesses to strengthen the bond of the group. In addition, we are working to realize the *ANSHIN* Platform, a service infrastructure designed to provide peace of mind to people in their everyday lives, as well as to society as a whole. To create the *ANSHIN* Platform, we are advancing collaborative initiatives with partners having same philosophy who provide various technologies and knowledges. In the period under review, we have been continuously trying to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind through the seamless provision of services.

In April 2017, Secom Trust Systems Co., Ltd., a subsidiary in information and communication related services, began collaboration with a leading domestic semiconductor manufacturer to develop a security framework that ensures the safety of communications among devices on the IoT. Additionally, in May 2017, we formed a strategic partnership with a major local electric appliance manufacturer to cultivate the home security market in China, while we commenced demonstration experiments of security systems utilizing next generation mobile communication systems “5G” with a leading domestic telecommunications carrier. Furthermore, in July 2017, we released SECOM Home Security NEO, a flexible system suited to modern lifestyles that can be linked with devices on the IoT etc., facilitating expansion of services. Concurrently, we launched the SECOM My Doctor Watch, an emergency medical alert and health management service centered on a wearable wristband tracker, which is available as an optional service to SECOM Home Security subscribers.

Consolidated revenue for the three-month period ended June 30, 2017 increased by 1.4% to 216.2 billion yen. Consolidated operating profit decreased by 2.1% to 29.3 billion yen, chiefly owing to the decrease in operating profit in fire protection services and geographic information services. Consolidated ordinary profit increased by 0.1% to 31.9 billion yen, mainly due to the recognition of exchange losses of 600 million yen as non-operating expenses in the previous corresponding period (17/6 : exchange gains of 10 million yen as non-operating income). Consolidated net income attributable to owners of the parent increased by 2.7% to 20.5 billion yen. For the three-month period ended June 30, 2017, consolidated revenue has reached a record-high.

Segment information is as follows.

In the security services segment, revenue increased by 1.3% to 131.9 billion yen, mainly due to the firm increase in sales of on-line security systems for commercial and residential use. Operating profit went up by 1.5% to 28.5 billion yen,

In the fire protection services segment, revenue decreased by 5.9% to 22.7 billion yen, attributable to the projection that revenue be more concentrated in and after the second quarter than previous corresponding period, despite of active marketing efforts. Operating profit was down by 69.2% to 0.4 billion yen, mainly due to the decrease in revenue.

In the medical services segment, revenue increased by 13.6% to 17.6 billion yen and operating profit increased by 2.9% to 1.3 billion yen, mainly due to the firm increase in sales of pharmaceutical products and medical equipment.

In the insurance services segment, revenue increased by 3.3% to 10.0 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 up by 61.4% to 1.3 billion yen, mainly owing to the decrease in losses incurred from natural disasters.

In the geographic information services segment, revenue decreased by 9.9% to 8.9 billion yen, owing to the decrease in revenue both in domestic division and international division. Operating loss was 1.1 billion yen, from an operating loss of 0.7 billion yen in the previous corresponding period, mainly due to the decrease in revenue and increase in cost ratio. 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 4.6% to 12.2 billion yen and operating profit increased by 5.2% to 1.8 billion yen, chiefly owing to the increase in revenue in data center.

In the real estate and other services segment, revenue increased by 6.9% to 12.5 billion yen and operating profit went up by 7.0% to 1.3 billion yen, mainly due to the increase in revenue in the real estate development and sales business.

(2) Qualitative Information Regarding Consolidated Financial Position

Consolidated Balance Sheets

Total assets as of June 30, 2017 amounted to 1,602.6 billion yen, 2.9% or 47.5 billion yen lower than that at the end of the previous fiscal year. Total current assets, at 748.0 billion yen, were down 1.8% or 13.7 billion yen. This was largely attributable to the decreases in notes and accounts receivable, trade by 35.0% or 41.8 billion yen to 77.9 billion yen, and cash on hand and in banks by 1.2% or 3.5 billion yen to 298.8 billion yen, despite the increases in short-term investments by 57.4% or 16.8 billion yen to 46.2 billion yen, and work in process for real estate inventories by 63.3% or 14.1 billion yen to 36.3 billion yen. Total fixed assets, at 854.5 billion yen, were down 3.8% or 33.8 billion yen. This was mainly attributable to the decreases in investment securities by 9.0% or 25.1 billion yen to 255.7 billion yen, and tangible assets by 1.7% or 6.3 billion yen to 370.1 billion yen.

Total liabilities amounted to 589.4 billion yen, 7.4% or 47.4 billion yen lower than that at the end of the previous fiscal year. Total current liabilities amounted to 310.9 billion yen, down 12.1% or 42.9 billion yen, owing to the decreases in accrued income taxes by 71.9% or 19.8 billion yen to 7.7 billion yen, notes and accounts payable, trade by 19.7% or 8.8 billion yen to 35.8 billion yen, bank loans by 17.8% or 7.9 billion yen to 36.9 billion yen, and payables-other by 18.1% or 6.7 billion yen to 30.7 billion yen. Long-term liabilities decreased by 1.6% or 4.4 billion yen to 278.5 billion yen, compared to that at the end of the previous fiscal year. This was mainly attributable to the decreases in long-term loans by 15.5% or 2.1 billion yen to 11.9 billion yen, and deferred income taxes by 6.9% or 1.5 billion yen to 20.4 billion yen.

Total net assets amounted to 1,013.1 billion yen, 70 million yen lower than that at the end of the previous fiscal year, mainly due to the decreases in foreign currency translation adjustments by 17.6% or 1.4 billion yen, and noncontrolling interests by 2.5% or 3.0 billion yen, despite increase in retained earnings by 0.5% or 4.2 billion yen.

(3) Qualitative Information Regarding Consolidated Financial Projections

The financial results for the three-month period ended June 30, 2017 were generally within our projections. Accordingly, projections for the consolidated financial results for the six-month period ending September 30, 2017 and the fiscal year ending March 31, 2018 have not been changed from those disclosed on May 11, 2017.

(Notes for financial projections)

Projections for the consolidated financial results for the six-month period ending September 30, 2017 and the fiscal year ending March 31, 2018, 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. Consolidated Quarterly Financial Statements

(1) Consolidated Balance Sheets

(In millions of yen)

	March 31, 2017	June 30, 2017
ASSETS:		
Current assets:	761,804	748,099
Cash on hand and in banks	302,364	298,816
Cash deposits for armored car services	130,619	129,399
Notes and accounts receivable, trade	119,801	77,921
Due from subscribers	33,090	32,103
Short-term investments	29,387	46,248
Lease receivables and investment in leased assets	43,974	43,984
Merchandise and products	11,915	13,359
Real estate inventories	5,223	1,928
Work in process	4,913	5,819
Costs on uncompleted construction contracts	8,979	11,845
Work in process for real estate inventories	22,283	36,384
Raw materials and supplies	8,385	8,361
Deferred income taxes	14,003	12,269
Short-term loans receivable	4,942	5,690
Other	23,684	25,637
Allowance for doubtful accounts	(1,766)	(1,671)
Fixed assets:	888,367	854,551
Tangible assets:	376,536	370,177
Buildings and improvements, net	150,254	146,606
Security equipment and control stations, net	69,569	69,740
Land	116,825	114,237
Other, net	39,886	39,592
Intangible assets	112,131	110,427
Investments and others:	399,698	373,946
Investment securities	280,974	255,785
Long-term loans receivable	38,403	37,548
Net defined benefit asset	35,282	35,073
Deferred income taxes	9,592	9,753
Other	51,436	51,772
Allowance for doubtful accounts	(15,990)	(15,986)
Deferred assets	4	4
Total assets	1,650,176	1,602,655

(1) Consolidated Balance Sheets (Continued)

(In millions of yen)

	March 31, 2017	June 30, 2017
LIABILITIES :		
Current liabilities:	353,933	310,973
Notes and accounts payable, trade	44,635	35,823
Bank loans	44,969	36,979
Current portion of straight bonds	1,460	1,344
Lease obligations	4,752	4,691
Payables - other	37,469	30,702
Accrued income taxes	27,557	7,744
Accrued consumption taxes	5,765	7,636
Accrued expenses	5,315	5,631
Deposits received for armored car services	107,878	108,926
Deferred revenue	30,552	33,202
Accrued bonuses	15,447	10,108
Provision for losses on construction contracts	2,532	2,726
Other	25,596	25,454
Long-term liabilities:	282,989	278,507
Straight bonds	7,003	5,825
Long-term loans	14,123	11,931
Lease obligations	11,777	11,651
Guarantee deposits received	33,907	33,478
Deferred income taxes	21,943	20,420
Accrued retirement benefits for directors and audit and supervisory board members	1,306	1,248
Net defined benefit liability	22,428	22,317
Investment deposits by policyholders, unearned premiums and other insurance liabilities	166,155	167,323
Other	4,342	4,311
Total liabilities	636,922	589,481
NET ASSETS :		
Shareholders' equity:	870,437	874,667
Common stock	66,377	66,377
Capital surplus	80,297	80,296
Retained earnings	797,493	801,726
Common stock in treasury, at cost	(73,731)	(73,733)
Accumulated other comprehensive income:	21,563	20,301
Unrealized gains on securities	25,125	25,138
Deferred losses on hedges	(30)	(34)
Foreign currency translation adjustments	(7,954)	(9,358)
Remeasurements of defined benefit plans, net of taxes	4,423	4,555
Noncontrolling Interests	121,253	118,205
Total net assets	1,013,253	1,013,174
Total liabilities and net assets	1,650,176	1,602,655

(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, 2016	Three-month period ended June 30, 2017
Revenue	213,127	216,209
Costs of revenue	140,318	143,092
Gross profit	72,809	73,116
Selling, general and administrative expenses	42,791	43,743
Operating profit	30,018	29,373
Non-operating income	3,523	3,638
Non-operating expenses	1,588	1,018
Ordinary profit	31,953	31,993
Extraordinary profit	118	389
Extraordinary losses	82	40
Income before income taxes	31,988	32,342
Income taxes - current	7,100	10,015
Income taxes - deferred	3,200	195
Total income taxes	10,301	10,211
Net income	21,687	22,130
Net income attributable to noncontrolling interests	1,641	1,545
Net income attributable to owners of the parent	20,045	20,585

Consolidated Statements of Comprehensive Income

(In millions of yen)

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2017
Net income	21,687	22,130
Other comprehensive income (losses):	(11,186)	(1,463)
Unrealized gains (losses) on securities	(4,331)	(123)
Deferred gains (losses) on hedges	-	(5)
Foreign currency translation adjustments	(5,094)	(2,850)
Remeasurements of defined benefit plans, net of taxes	262	133
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	(2,023)	1,382
Comprehensive income	10,501	20,667
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	9,328	19,323
Comprehensive income attributable to noncontrolling interests	1,172	1,344

(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, 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 △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.

II. Three-month Period Ended June 30, 2017

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	131,906	22,750	17,678	10,033	8,967
Intersegment	3,042	839	43	820	37
Subtotal	134,948	23,590	17,722	10,854	9,004
Segment profit (loss)	28,524	431	1,302	1,309	(1,126)

	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	12,293	203,630	12,578	216,209	-	216,209
Intersegment	1,705	6,488	486	6,975	(6,975)	-
Subtotal	13,998	210,118	13,065	223,184	(6,975)	216,209
Segment profit (loss)	1,812	32,253	1,375	33,628	(4,255)	29,373

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 82 million yen and corporate expenses not allocated to each reportable segment of 4,173 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.