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QUARTERLY FINANCIAL REPORT
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2017

(Based on JAPANESE GAAP) (Consolidated)

February 8, 2018

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

For inquiries: Junzo Nakayama, Executive Director Phone (03) 5775-8100

Scheduled date of filing Quarterly Securities Report: February 14, 2018

Scheduled date of dividend payout: —

Preparation of quarterly supplementary materials: Applicable

Holding of quarterly results information meeting: None

1. Consolidated financial results for the nine-month period ended December 31, 2017 (April 1, 2017– December 31, 2017)

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

	Nine-month Period Ended December 31	
	2016	2017
Revenue	670,160 7.6%	692,862 3.4%
Operating profit	96,278 4.8%	94,854 (1.5%)
Ordinary profit	108,603 11.0%	101,945 (6.1%)
Net income attributable to owners of the parent	66,040 6.8%	63,110 (4.4%)
Basic net income per share (in yen)	302.58	289.15
Diluted net income per share (in yen)	—	—

Note 1: Comprehensive income:

Nine-month period ended December 31, 2017: JPY 74,464 million [25.3%]

Nine-month period ended December 31, 2016: JPY 59,437 million [(3.9%)]

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	December 31, 2017
Total assets	1,650,176	1,681,568
Net assets	1,013,253	1,049,981
Equity ratio	54.1%	55.1%
Net assets per share (in yen)	4,086.87	4,244.57

Note 1: Equity as of:

December 31, 2017 : JPY 926,420 million

March 31, 2017 : JPY 892,000 million

Note 2: Equity is calculated by deducting noncontrolling interests from net assets. Net assets per share is calculated by dividing equity by the number of common shares outstanding, excluding treasury stock, as of each period-end.

2. Dividends

	Years ended March 31		
	2017	2018	2018 (projected)
1st quarter dividends per share (in yen)	–	–	
2nd quarter dividends per share (in yen)	70.00	75.00	
3rd 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)

(In millions of yen)

	Year ending March 31, 2018
Projected revenue	940,000 1.3%
Projected operating profit	132,400 1.0%
Projected ordinary profit	139,200 (5.3%)
Projected net income attributable to owners of the parent	84,800 0.7%
Projected basic net income per share (in yen)	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 is calculated based on the number of average common shares outstanding over the nine-month period ended December 31, 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 nine-month period ended December 31, 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:
      December 31, 2017 : 233,290,441 shares
      March 31, 2017 : 233,288,717 shares
   ② Number of shares of treasury stock, as of:
      December 31, 2017 : 15,030,174 shares
      March 31, 2017 : 15,028,470 shares
   ③ Number of average common shares outstanding over:
      The nine-month period ended December 31, 2017: 218,260,555 shares
      The nine-month period ended December 31, 2016: 218,261,345 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 Nine-month Period Ended December 31, 2017 (3) Qualitative Information Regarding Consolidated Financial Projections” on page 5 in the appendices.

Contents for the Appendices

1. Qualitative Information Regarding the Nine-month Period Ended December 31, 2017

(1) Qualitative Information Regarding Consolidated Financial Results

During the nine-month period ended December 31, 2017, Japanese economy has been in a moderate upward trend as shown in improvements in corporate earnings and employment environment. On the other hand, continual attentions to the effects of uncertainties in overseas economies related to the U.S. monetary policy, the trends of the emerging economies in Asia, including China, U.K. exiting the E.U. (BREXIT), as well as the effects of geopolitical risks and 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 December 2017, we launched SECOM *ANSHIN* Home Delivery Box as an optional service to SECOM Home Security subscribers, which facilitates to receive parcels securely whether the recipients are at home or not. This product was developed as the second lineup of connected services which can be linked with home security devices on the Internet of Things (IoT), following SECOM My Doctor Watch, an emergency medical alert and health management service launched in July 2017. We also launched SESAMO MBX, Japan's first secure storage with operation history function and on-line security capability for strict management of pharmaceutical products temporarily kept in staff stations of medical institutions.

Furthermore, in November 2017, we commenced demonstration tests for the facility operation support services which provide helpful information including store operation and customer assistance according to visitor conditions in commercial facilities or public areas, capitalizing AI technologies through open-innovation with major electronics manufacturers. We also continued our efforts to promote utilization of cutting-edge technologies for security services, such as conducting operational tests of security systems applying vehicle-mounted On-Site Center for monitoring and wearable cameras aiming to enhance town safety and security functions.

In addition to the active business developments above, we are earnestly reconstructing our business infrastructure which leads to operational reforms, making use of the latest technologies including AI and IoT among others, as well as redeveloping human resource foundation with increased human capital investment including recruitment with a view of work style reform.

In the third quarter of current fiscal year, we acquired TMJ, Inc., a newly consolidated subsidiary, which boasts extensive experience in the area of BPO (Note 1) services, including operation of call center services. We are aiming to further expand our business capabilities through integrating BPO related services with our existing information and communication related services that focuses primarily on ICT (Note 2) related services and data center services. Accordingly, Information and Communication Related Services was changed to BPO・ICT Services (Please refer to page 11). Reportable segments are not reclassified by this change.

Note 1: BPO (Business Process Outsourcing) – To outsource operations such as data input/output and processing with the aim of improving efficiency and productivity.
Note 2: ICT (Information and Communication Technology)

Consolidated revenue for the nine-month period ended December 31, 2017 increased by 3.4% to 692.8 billion yen, while consolidated operating profit decreased by 1.5% to 94.8 billion yen, chiefly owing to the decrease in operating profit in insurance services and real estate and other services. Consolidated ordinary profit decreased by 6.1% to 101.9 billion yen, mainly due to the decrease in net gains/(losses) on private equity investment in the U.S. etc., by 7.3 billion yen. Consolidated net income attributable to owners of the parent decreased by 4.4% to 63.1 billion yen. For the nine-month period ended December 31, 2017, consolidated revenue has reached a record-high.

Segment information is as follows.

In the security services segment, revenue increased by 2.2% to 403.2 billion yen, mainly due to the brisk sales of on-line security systems for commercial and residential use and the increase in revenue of Asahi Security Co., Ltd., which chiefly provides cash collection and delivery services. Operating profit went up by 2.4% to 86.0 billion yen,

In the fire protection services segment, revenue increased by 9.3% to 88.5 billion yen and operating profit went up by 12.2% to 6.8 billion yen, mainly attributable to the active marketing efforts and the contribution of large-scale projects of fire extinguishing systems. Revenue tends to increase toward the end of the fiscal year, due to the fact that this segment is greatly affected by the construction industry.

In the medical services segment, revenue increased by 7.0% to 53.2 billion yen, mainly due to the firm increase in sales of medical equipment and pharmaceutical dispensing services. Operating profit decreased by 0.8% to 4.0 billion yen, chiefly owing to the increases in cost ratio and selling, general and administrative expenses.

In the insurance services segment, revenue increased by 4.2% to 31.8 billion yen, mainly due to the firm increase in sales of MEDCOM, unrestricted cancer treatment policy provided by Secom General Insurance Co., Ltd. Operating profit was down by 28.4% to 2.5 billion yen, owing to the increase in losses incurred from typhoons.

In the geographic information services segment, revenue decreased by 5.2% to 33.2 billion yen, owing to the decrease in revenue both in domestic and international divisions. Operating loss was 0.9 billion yen, from an operating loss of 0.4 billion yen in the previous corresponding period. Revenue tends to concentrate toward the end of the fiscal year, due to the fact that deliveries of public-sector contracts, which are the primary market for this segment, are mainly made at the end of March.

In the BPO・ICT services segment, revenue increased by 28.2% to 46.7 billion yen, chiefly owing to the contribution of TMJ, Inc., a newly consolidated subsidiary and the increase in revenue in data center. Operating profit decreased by 6.6% to 5.2 billion yen, owing to the increases in cost ratio and selling, general and administrative expenses.

In the real estate and other services segment, revenue decreased by 15.9% to 35.8 billion yen, mainly due to the decrease in revenue in the real estate development and sales business. Operating profit was down by 23.6% to 3.8 billion yen.

(2) Qualitative Information Regarding Consolidated Financial Position

Consolidated Balance Sheets

Total assets as of December 31, 2017 amounted to 1,681.5 billion yen, 1.9% or 31.3 billion yen higher than that at the end of the previous fiscal year. Total current assets, at 776.0 billion yen, were up 1.9% or 14.2 billion yen. This was largely attributable to increases in cash deposits for armored car services by 31.5% or 41.1 billion yen to 171.7 billion yen and work in process for real estate inventories by 108.2% or 24.1 billion yen to 46.4 billion yen, despite decreases in cash on hand and in banks by 9.6% or 29.1 billion yen to 273.2 billion yen, notes and accounts receivable, trade by 13.3% or 15.8 billion yen to 103.9 billion yen and short-term investments by 29.2% or 8.5 billion yen to 20.8 billion yen. Total fixed assets, at 905.5 billion yen, were up 1.9% or 17.1 billion yen. This was mainly attributable to increases in intangible assets by 15.9% or 17.8 billion yen to 129.9 billion yen and investment securities by 1.2% or 3.4 billion yen to 284.4 billion yen, despite a decrease in tangible assets by 1.2% or 4.3 billion yen to 372.2 billion yen.

Total liabilities amounted to 631.5 billion yen, 0.8% or 5.3 billion yen lower than that at the end of the previous fiscal year. Total current liabilities amounted to 359.6 billion yen, up 1.6% or 5.6 billion yen, owing to the increase in deposits received for armored car services by 37.3% or 40.2 billion yen to 148.1 billion yen, despite the decreases in accrued income taxes by 69.5% or 19.1 billion yen to 8.3 billion yen, accrued bonuses by 61.6% or 9.5 billion yen to 5.9 billion yen and notes and accounts payable, trade by 14.0% or 6.2 billion yen to 38.4 billion yen. Long-term liabilities decreased by 3.9% or 11.0 billion yen to 271.9 billion yen, compared to that at the end of the previous fiscal year. This was mainly attributable to the decreases in deferred income taxes by 28.0% or 6.1 billion yen to 15.8 billion yen and long-term loans by 39.5% or 5.5 billion yen to 8.5 billion yen.

Total net assets amounted to 1,049.9 billion yen, 3.6% or 36.7 billion yen higher than that at the end of the previous fiscal year, mainly due to the increases in retained earnings by 3.8% or 30.3 billion yen, unrealized gains on securities by 17.2% or 4.3 billion yen and noncontrolling interests by 1.9% or 2.3 billion yen.

(3) Qualitative Information Regarding Consolidated Financial Projections

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

As disclosed in “Notification concerning the Acquisition of TMJ, Inc. Shares” on September 1, 2017, TMJ became our consolidated subsidiary on October 2, 2017. The amount of goodwill is provisional as the purchase price allocation has not been completed. Once the revision of the projections for the consolidated financial results for the fiscal year ending March 31, 2018 becomes necessary, it will be disclosed in a timely manner.

(Notes for financial projections)

Projections for the consolidated financial results for 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, recalls of products sold and the results of contingency.

2. Consolidated Quarterly Financial Statements
(1) Consolidated Balance Sheets

(In millions of yen)

	March 31, 2017	December 31, 2017
ASSETS:		
Current assets:	**761,804**	**776,015**
Cash on hand and in banks	302,364	273,230
Cash deposits for armored car services	130,619	171,737
Notes and accounts receivable, trade	119,801	103,904
Due from subscribers	33,090	34,368
Short-term investments	29,387	20,804
Lease receivables and investment in leased assets	43,974	42,647
Merchandise and products	11,915	12,890
Real estate inventories	5,223	1,420
Work in process	4,913	6,848
Costs on uncompleted construction contracts	8,979	14,459
Work in process for real estate inventories	22,283	46,400
Raw materials and supplies	8,385	8,921
Deferred income taxes	14,003	10,856
Short-term loans receivable	4,942	6,310
Other	23,684	22,909
Allowance for doubtful accounts	(1,766)	(1,695)
Fixed assets:	**888,367**	**905,549**
Tangible assets:	**376,536**	**372,203**
Buildings and improvements,net	150,254	149,447
Security equipment and control stations,net	69,569	71,272
Land	116,825	113,863
Other,net	39,886	37,621
Intangible assets	**112,131**	**129,980**
Investments and others:	**399,698**	**403,364**
Investment securities	280,974	284,415
Long-term loans receivable	38,403	36,439
Net defined benefit asset	35,282	34,696
Deferred income taxes	9,592	11,040
Other	51,436	52,765
Allowance for doubtful accounts	(15,990)	(15,992)
Deferred assets	**4**	**3**
Total assets	**1,650,176**	**1,681,568**

(1)Consolidated Balance Sheets (Continued)

(In millions of yen)

	March 31, 2017	December 31, 2017
LIABILITIES:		
Current liabilities:	**353,933**	**359,613**
Notes and accounts payable, trade	44,635	38,401
Bank loans	44,969	44,456
Current portion of straight bonds	1,460	1,150
Lease obligations	4,752	4,959
Payables - other	37,469	36,890
Accrued income taxes	27,557	8,391
Accrued consumption taxes	5,765	7,236
Accrued expenses	5,315	6,481
Deposits received for armored car services	107,878	148,161
Deferred revenue	30,552	31,777
Accrued bonuses	15,447	5,931
Provision for losses on construction contracts	2,532	2,680
Other	25,596	23,095
Long-term liabilities:	**282,989**	**271,973**
Straight bonds	7,003	5,672
Long-term loans	14,123	8,544
Lease obligations	11,777	12,170
Guarantee deposits received	33,907	33,212
Deferred income taxes	21,943	15,801
Accrued retirement benefits for directors and audit and supervisory board members	1,306	1,369
Net defined benefit liability	22,428	22,284
Investment deposits by policyholders, unearned premiums and other insurance liabilities	166,155	168,411
Other	4,342	4,506
Total liabilities	**636,922**	**631,587**
NET ASSETS:		
Shareholders' equity:	**870,437**	**900,845**
Common stock	66,377	66,385
Capital surplus	80,297	80,323
Retained earnings	797,493	827,881
Common stock in treasury, at cost	(73,731)	(73,745)
Accumulated other comprehensive income:	**21,563**	**25,575**
Unrealized gains on securities	25,125	29,437
Deferred losses on hedges	(30)	(29)
Foreign currency translation adjustments	(7,954)	(8,645)
Remeasurements of defined benefit plans, net of taxes	4,423	4,812
Noncontrolling Interests	**121,253**	**123,560**
Total net assets	**1,013,253**	**1,049,981**
Total liabilities and net assets	**1,650,176**	**1,681,568**

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

Consolidated Statements of Income

(In millions of yen)

	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017
Revenue	**670,160**	**692,862**
Costs of revenue	443,797	463,359
Gross profit	**226,362**	**229,503**
Selling, general and administrative expenses	130,084	134,648
Operating profit	**96,278**	**94,854**
Non-operating income	15,938	9,615
Non-operating expenses	3,613	2,525
Ordinary profit	**108,603**	**101,945**
Extraordinary profit	153	1,251
Extraordinary losses	1,342	775
Income before income taxes	**107,414**	**102,421**
Income taxes - current	28,089	38,023
Income taxes - deferred	6,001	(5,780)
Total income taxes	34,090	32,242
Net income	**73,323**	**70,179**
Net income attributable to noncontrolling interests	**7,282**	**7,068**
Net income attributable to owners of the parent	**66,040**	**63,110**

Consolidated Statements of Comprehensive Income

(In millions of yen)

	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017
Net income	**73,323**	**70,179**
Other comprehensive income (losses):	**(13,885)**	**4,285**
Unrealized gains (losses) on securities	4,635	4,257
Deferred gains (losses) on hedges	-	(3)
Foreign currency translation adjustments	(14,603)	(1,590)
Remeasurements of defined benefit plans, net of taxes	722	401
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	(4,640)	1,220
Comprehensive income	**59,437**	**74,464**
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	52,979	67,122
Comprehensive income attributable to noncontrolling interests	6,458	7,342

(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. Nine-month Period Ended December 31, 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	394,555	80,962	49,827	30,571	35,082
Intersegment	8,834	2,319	138	2,371	126
Subtotal	403,389	83,281	49,966	32,942	35,208
Segment profit (loss)	84,084	6,125	4,118	3,510	(480)

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	BPO・ICT services	Subtotal				
Revenue:						
Customers	36,498	627,498	42,662	670,160	-	670,160
Intersegment	5,245	19,034	1,425	20,460	(20,460)	-
Subtotal	41,743	646,532	44,087	690,620	(20,460)	670,160
Segment profit (loss)	5,612	102,970	5,028	107,998	(11,720)	96,278

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 △218 million yen and corporate expenses not allocated to each reportable segment of 11,939 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. Nine-month Period Ended December 31, 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	403,288	88,512	53,299	31,866	33,245
Intersegment	9,428	2,924	140	2,331	83
Subtotal	412,716	91,437	53,439	34,197	33,328
Segment profit (loss)	86,063	6,872	4,083	2,512	(977)

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	BPO･ICT services	Subtotal				
Revenue:						
Customers	46,788	657,001	35,861	692,862	-	692,862
Intersegment	4,611	19,520	1,497	21,017	(21,017)	-
Subtotal	51,400	676,521	37,358	713,879	(21,017)	692,862
Segment profit (loss)	5,244	103,799	3,839	107,639	(12,784)	94,854

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 2 million yen and corporate expenses not allocated to each reportable segment of 12,781 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 Assets by Reportable Segments

There were significant changes in the amount of assets by reportable segment in the nine-month period ended December 31, 2017, compared to the amount at the end of the previous fiscal year. The summary information is as follows:

In the BPO・ICT services segment, the amount of segment assets increased by 26,664 million yen, mainly arising from the acquisition of TMJ, Inc. in the three-month period ended December 31, 2017.

3. Information about Changes in Reportable Segments

In the third quarter of current fiscal year, we acquired all shares in TMJ, Inc., a newly consolidated subsidiary, which provides various BPO related services including operation of call center services. We are aiming to further expand our business capabilities through integrating BPO related services with our existing information and communication related services that focuses primarily on ICT related services and data center services. Accordingly, Information and Communication Related Services was changed to BPO･ICT Services. Reportable segments are not reclassified by this change.

4. Information about Impairment Loss on Fixed Assets and Goodwill by Reportable Segments

(Significant Changes in Goodwill)

In the BPO・ICT services segment, goodwill increased due to the acquisition of TMJ, Inc. in the three-month period ended December 31, 2017. The amount of goodwill increased by 21,345 million yen in the nine-month period ended December 31, 2017, which was a provisional amount as the purchase price allocation has not been completed.

(5) Significant Subsequent Events

Not applicable.