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QUARTERLY FINANCIAL REPORT FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2018

(Based on JAPANESE GAAP) (Consolidated)

August 10, 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
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 Scheduled date of filing Quarterly Securities Report: August 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 three-month period ended June 30, 2018 (April 1, 2018–June 30, 2018)

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

	Three-month Period Ended June 30	
	2017	2018
Revenue	216,209 1.4%	229,006 5.9%
Operating profit	29,373 (2.1%)	29,693 1.1%
Ordinary profit	31,993 0.1%	37,984 18.7%
Net income attributable to owners of the parent	20,585 2.7%	27,360 32.9%
Basic net income per share (in yen)	94.31	125.36
Diluted net income per share (in yen)	—	—

Note 1: Comprehensive income:

Three-month period ended June 30, 2018: JPY 23,629 million [14.3%]

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

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, 2018	June 30, 2018
Total assets	1,715,123	1,679,709
Net assets	1,081,213	1,085,923
Equity ratio	55.5%	56.9%
Net assets per share (in yen)	4,364.63	4,381.77

Note 1: Equity as of:

June 30, 2018 : JPY 956,363 million

March 31, 2018 : JPY 952,623 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/ending March 31		
	2018	2019	2019 (projected)
1 st quarter dividends per share (in yen)	–	–	–
2 nd quarter dividends per share (in yen)	75.00	–	80.00
3 rd quarter dividends per share (in yen)	–	–	–
Year-end dividends per share (in yen)	80.00	–	85.00
Annual dividends per share (in yen)	155.00	–	165.00

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, 2019 (April 1, 2018 – March 31, 2019) and the six-month period ending September 30, 2018 (April 1, 2018 – September 30, 2018)

(In millions of yen)

	Six-month period ending September 30, 2018	Year ending March 31, 2019
Projected revenue	471,500 5.5%	1,000,000 3.0%
Projected operating profit	53,500 (13.0%)	126,500 (6.6%)
Projected ordinary profit	56,000 (15.2%)	132,500 (8.2%)
Projected net income attributable to owners of the parent	38,400 (7.1%)	83,000 (4.6%)
Projected basic net income per share (in yen)	175.94	380.28

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, 2019 and the six-month period ending September 30, 2018 are calculated based on the number of average common shares outstanding over the three-month period ended June 30, 2018, assuming that it remains the same until March 31, 2019.

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, 2018 (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, 2018 : 233,290,441 shares
 - March 31, 2018 : 233,290,441 shares
 - ② Number of shares of treasury stock, as of:
 - June 30, 2018 : 15,030,841 shares
 - March 31, 2018 : 15,030,573 shares
 - ③ Number of average common shares outstanding over:
 - The three-month period ended June 30, 2018: 218,259,686 shares
 - The three-month period ended June 30, 2017: 218,260,042 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, 2018 (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, 2018..... - 2 -
 - (1) Qualitative Information Regarding Consolidated Financial Results..... - 2 -
 - (2) Qualitative Information Regarding Consolidated Financial Position - 4 -
 - (3) Qualitative Information Regarding Consolidated Financial Projections - 4 -
- 2. Consolidated Quarterly Financial Statements - 5 -
 - (1) Consolidated Balance Sheets - 5 -
 - (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income - 7 -
 - (3) Notes Regarding the Consolidated Quarterly Financial Statement..... - 8 -

1. Qualitative Information Regarding the Three-month Period Ended June 30, 2018

(1) Qualitative Information Regarding Consolidated Financial Results

During the three-month period ended June 30, 2018, Japanese economy has been in a moderate upward trend as shown in improvements in corporate earnings and employment environment, as well as recovery in private consumption. On the other hand, continual attentions to the effects of uncertainties in overseas economies related to various policies of the U.S., the trends of the emerging economies in Asia, including China, U.K. exiting the E.U. (BREXIT), the effects of geopolitical risks, the trends of international trade issues, in addition to the 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 delivers safety and peace of mind, as well as makes 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 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 the same philosophy. In May 2018, we announced the SECOM Group Road Map 2022, in which we clarified what we should do and what we need in order to realize our Vision for 2030. In the period under review, we have been continuously seeking 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 2018, we participated in the establishment of the security joint venture for the Olympic and Paralympic Games Tokyo 2020 toward the success of safe and secure event and were elected to a joint representative. We have also agreed with the major distribution group to work together to develop a business model that promotes safety, peace of mind, comfort and convenience of the community. We began developing to realize labor-saving / unmanned management / operation for large-sized facilities, as well as one-stop service for those of small- and medium-sized.

Since we expected increase in new entrants to *minpaku* guesthouse business after the enforcement of related new Act, we started provision of SECOM Home Share Support Service in June, a service specialized in fire monitoring and emergency calls highly demanded among *minpaku* owners living in the premises. Also, as strengthening of supply chain security is increasingly important in global society, we launched SECOM Supply Chain Security Select, a service designed to support client to obtain a security certification related to supply chain. In addition, SECOM Medical System Co.,Ltd. won the excellent award in the 2nd *Nihon* Service Award hosted by Japan Productivity Center, having been highly recognized for its quality home nursing services utilizing ICT.

Since our establishment, we have sought actively to fulfill our responsibility to society through our business activities, acknowledging the importance of sustainable growth of society and firms. On May 2, 2018, we became a signatory to the United Nations Global Compact (UNGC).

Pasco Corporation, the principal company in the Geographic Information Services, released “Pasco

Group's Medium-Term Management Plan 2018-2022" on May 9, 2018, expressing its aim to become a comprehensive company in geospatial information industry pursuing the business model that capitalizes positional information including various related events. Accordingly, the segment name was changed from Geographic Information Services to Geospatial Information Services from the three-month period ended June 30, 2018. Reportable segments are not reclassified by this change.

Consolidated revenue for the three-month period ended June 30, 2018 increased by 5.9% to 229.0 billion yen. Consolidated operating profit increased by 1.1% to 29.6 billion yen. Consolidated ordinary profit increased by 18.7% to 37.9 billion yen, mainly due to the increases in net gains/(losses) on private equity investment in the U.S. by 3.9 billion yen and net gains from investment in affiliated companies accounted for under the equity method by 1.5 billion yen. Consolidated net income attributable to owners of the parent increased by 32.9% to 27.3 billion yen. For the three-month period ended June 30, 2018, consolidated revenue, ordinary profit and net income attributable to owners of the parent reached a record-high.

Segment information is as follows.

In the security services segment, revenue increased by 1.4% to 133.7 billion yen, mainly due to brisk sales of on-line security systems for commercial and residential use, as well as the increases in revenue in Asahi Security Co., Ltd., a provider of cash collection and delivery services, and in static guard services. Operating profit went up by 0.4% to 28.6 billion yen.

In the fire protection services segment, revenue increased by 12.3% to 25.5 billion yen, mainly attributable to the active marketing efforts. Operating profit was down by 92.1% to 30 million yen, chiefly owing to the concentration of projects with high cost ratio compared to the previous corresponding period and the increase in selling, general and administrative expenses. 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 1.2% to 17.4 billion yen, mainly due to the decrease in sales of medical equipment, in addition to the decrease in revenue affected by the drug price revision. Operating profit decreased by 10.0% to 1.1 billion yen.

In the insurance services segment, revenue increased by 10.3% to 11.0 billion yen, mainly due to the firm increases in sales of MEDCOM, unrestricted cancer treatment policy, and fire insurance policies provided by Secom General Insurance Co., Ltd. Operating profit went up by 91.4% to 2.5 billion yen.

In the geospatial information services segment, revenue increased by 1.0% to 9.0 billion yen and operating loss was 1.0 billion yen, from an operating loss of 1.1 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 is the primary market for this segment, are mainly made at the end of March.

In the BPO and ICT services segment, revenue increased by 77.9% to 21.8 billion yen, chiefly owing to

the contribution of TMJ, Inc., a consolidated subsidiary from October 2017, and the increase in revenue in data center. Operating profit decreased by 3.2% to 1.7 billion yen, mainly attributable to the increases in cost ratio and in selling, general and administrative expenses.

In the real estate and other services segment, revenue decreased by 18.4% to 10.2 billion yen, mainly due to the decrease in revenue in the real estate development and sales business. Operating profit went down by 18.5% to 1.1 billion yen.

(2) Qualitative Information Regarding Consolidated Financial Position

Consolidated Balance Sheets

Total assets as of June 30, 2018 amounted to 1,679.7 billion yen, 2.1% or 35.4 billion yen lower than that at the end of the previous fiscal year. Total current assets, at 757.3 billion yen, were down 4.4% or 34.7 billion yen. This was largely attributable to the decrease in notes and accounts receivable, trade by 34.2% or 44.4 billion yen to 85.5 billion yen, despite the increases in cash on hand and in banks by 2.5% or 7.9 billion yen to 325.1 billion yen and merchandise and products by 26.5% or 3.2 billion yen to 15.5 billion yen. Total fixed assets, at 922.3 billion yen, were down 0.1% or 0.7 billion yen. This was mainly attributable to the decreases in intangible assets by 1.3% or 1.6 billion yen to 129.3 billion yen, tangible assets by 0.3% or 1.0 billion yen to 372.6 billion yen and deferred income taxes by 4.7% or 1.0 billion yen to 20.6 billion yen.

Total liabilities amounted to 593.7 billion yen, 6.3% or 40.1 billion yen lower than that at the end of the previous fiscal year. Total current liabilities amounted to 320.1 billion yen, down 10.5% or 37.4 billion yen, owing to the decreases in accrued income taxes by 72.0% or 18.6 billion yen to 7.2 billion yen, bank loans by 18.9% or 7.8 billion yen to 33.7 billion yen and notes and accounts payable, trade by 16.9% or 7.4 billion yen to 36.5 billion yen. Long-term liabilities decreased by 1.0% or 2.7 billion yen to 273.6 billion yen.

Total net assets amounted to 1,085.9 billion yen, 0.4% or 4.7 billion yen higher than that at the end of the previous fiscal year, mainly due to the increase in retained earnings by 1.2% or 9.9 billion yen, despite the decrease in foreign currency translation adjustments by 118.9% or 6.8 billion yen.

(3) Qualitative Information Regarding Consolidated Financial Projections

Projections for the consolidated financial results for the six-month period ending September 30, 2018 and the fiscal year ending March 31, 2019 have not been changed from those disclosed on May 10, 2018.

(Notes for financial projections)

Projections for the consolidated financial results for the six-month period ending September 30, 2018 and the fiscal year ending March 31, 2019, 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, 2018	June 30, 2018
ASSETS:		
Current assets:	792,094	757,393
Cash on hand and in banks	317,267	325,173
Cash deposits for armored car services	135,808	135,003
Notes and accounts receivable, trade	129,984	85,568
Due from subscribers	35,272	33,991
Short-term investments	17,360	16,024
Lease receivables and investment in leased assets	45,544	43,953
Merchandise and products	12,321	15,581
Real estate inventories	4,766	4,160
Work in process	5,057	6,060
Costs on uncompleted construction contracts	10,441	11,338
Work in process for real estate inventories	39,688	40,222
Raw materials and supplies	8,849	8,921
Short-term loans receivable	5,196	6,320
Other	26,352	26,766
Allowance for doubtful accounts	(1,818)	(1,691)
Fixed assets:	923,029	922,315
Tangible assets:	373,689	372,685
Buildings and improvements, net	148,622	148,454
Security equipment and control stations, net	70,872	71,155
Land	114,287	114,172
Other, net	39,907	38,903
Intangible assets	131,028	129,388
Investments and others:	418,311	420,241
Investment securities	280,659	284,079
Long-term loans receivable	35,284	34,555
Net defined benefit asset	41,409	41,349
Deferred income taxes	21,658	20,640
Other	52,332	52,565
Allowance for doubtful accounts	(13,033)	(12,950)
Total assets	1,715,123	1,679,709

(1) Consolidated Balance Sheets (Continued)

(In millions of yen)

	March 31, 2018	June 30, 2018
LIABILITIES:		
Current liabilities:	357,544	320,128
Notes and accounts payable, trade	43,929	36,517
Bank loans	41,558	33,713
Current portion of straight bonds	795	795
Lease obligations	4,932	4,947
Payables - other	40,102	35,975
Accrued income taxes	25,896	7,254
Accrued consumption taxes	7,959	7,752
Accrued expenses	7,084	6,950
Deposits received for armored car services	113,830	114,956
Deferred revenue	30,309	33,560
Accrued bonuses	16,209	10,833
Provision for losses on construction contracts	2,436	2,659
Other	22,499	24,209
Long-term liabilities:	276,366	273,657
Straight bonds	5,322	5,274
Long-term loans	12,721	11,665
Lease obligations	11,902	11,758
Guarantee deposits received	33,181	32,621
Deferred income taxes	14,217	14,197
Accrued retirement benefits for directors and audit and supervisory board members	1,421	969
Net defined benefit liability	21,849	21,611
Investment deposits by policyholders, unearned premiums and other insurance liabilities	172,345	171,709
Other	3,403	3,847
Total liabilities	633,910	593,785
NET ASSETS:		
Shareholders' equity:	924,729	934,628
Common stock	66,385	66,385
Capital surplus	80,328	80,329
Retained earnings	851,764	861,665
Common stock in treasury, at cost	(73,748)	(73,750)
Accumulated other comprehensive income (losses):	27,894	21,735
Unrealized gains on securities	23,759	24,656
Deferred losses on hedges	(24)	(24)
Foreign currency translation adjustments	(5,774)	(12,638)
Remeasurements of defined benefit plans, net of taxes	9,933	9,742
Noncontrolling Interests	128,589	129,559
Total net assets	1,081,213	1,085,923
Total liabilities and net assets	1,715,123	1,679,709

(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, 2017	Three-month period ended June 30, 2018
Revenue	216,209	229,006
Costs of revenue	143,092	153,279
Gross profit	73,116	75,727
Selling, general and administrative expenses	43,743	46,033
Operating profit	29,373	29,693
Non-operating income	3,638	9,139
Non-operating expenses	1,018	848
Ordinary profit	31,993	37,984
Extraordinary profit	389	165
Extraordinary losses	40	350
Income before income taxes	32,342	37,800
Income taxes - current	10,015	7,549
Income taxes - deferred	195	36
Total income taxes	10,211	7,586
Net income	22,130	30,214
Net income attributable to noncontrolling interests	1,545	2,853
Net income attributable to owners of the parent	20,585	27,360

Consolidated Statements of Comprehensive Income

(In millions of yen)

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2018
Net income	22,130	30,214
Other comprehensive income (losses):	(1,463)	(6,584)
Unrealized gains (losses) on securities	(123)	869
Deferred gains (losses) on hedges	(5)	(0)
Foreign currency translation adjustments	(2,850)	(4,936)
Remeasurements of defined benefit plans, net of taxes	133	(147)
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	1,382	(2,368)
Comprehensive income	20,667	23,629
Comprehensive income attributable to:		
Owners of the parent company	19,323	21,201
Noncontrolling interests	1,344	2,427

(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.

[Additional Information]

From the three-month period ended June 30, 2018, we have applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018), etc. Accordingly, deferred tax assets are classified as part of "Investments and others," and deferred tax liabilities are classified as part of "Long-term liabilities."

In order to apply the change, the consolidated balance sheets for the previous fiscal year has been reclassified. As the result, "deferred income taxes" in "current assets" decreased by 14,651 million yen, "deferred income taxes" in "investments and others" increased by 9,507 million yen, "deferred income

taxes” in “long-term liabilities” decreased by 5,144 million yen. Consequently, total assets and total liabilities and net assets decreased by 5,144 million yen, respectively.

[Segment Information]

I. 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	Geospatial 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)
	BPO and ICT 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.

II. Three-month Period Ended June 30, 2018

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	Geospatial information services
Revenue:					
Customers	133,724	25,557	17,458	11,072	9,059
Intersegment	3,650	979	42	845	42
Subtotal	137,375	26,536	17,500	11,917	9,102
Segment profit (loss)	28,638	34	1,172	2,507	(1,079)

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	BPO and ICT services	Subtotal				
Revenue:						
Customers	21,866	218,738	10,268	229,006	-	229,006
Intersegment	1,052	6,613	454	7,068	(7,068)	-
Subtotal	22,919	225,351	10,723	236,074	(7,068)	229,006
Segment profit (loss)	1,753	33,025	1,120	34,145	(4,452)	29,693

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 199 million yen and corporate expenses not allocated to each reportable segment of 4,252 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

Pasco Corporation, the principal company in the Geographic Information Services, released "Pasco Group's Medium-Term Management Plan 2018-2022" on May 9, 2018, expressing its aim to become a comprehensive company in geospatial information industry pursuing the business model that capitalizes positional information including various related events. Accordingly, the segment name was changed from Geographic Information Services to Geospatial Information Services from the three-month period ended June 30, 2018. Reportable segments are not reclassified by this change.

[Significant Subsequent Events]

Sales of investment securities

The Company entered into a share transfer agreement in July 2018 to sell certain investment securities held by a consolidated subsidiary, Westec Security Group Inc. This transaction will generate a gain on sales of securities, which will be included in gains on private equity investments in the consolidated financial statements for the year ending March 31, 2019. The amount of the gain is under calculation.