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QUARTERLY FINANCIAL REPORT FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2019

(Based on JAPANESE GAAP) (Consolidated)

February 6, 2020

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Scheduled date of filing Quarterly Securities Report: February 14, 2020

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, 2019 (April 1, 2019– December 31, 2019)

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

	Nine-month Period Ended December 31	
	2018	2019
Revenue	726,983 4.9%	766,008 5.4%
Operating profit	92,960 (2.0%)	102,212 10.0%
Ordinary profit	107,799 5.7%	110,786 2.8%
Net income attributable to owners of the parent	69,503 10.1%	67,822 (2.4%)
Basic net income per share (in yen)	318.44	310.74
Diluted net income per share (in yen)	—	—

Note 1: Comprehensive income:

Nine-month period ended December 31, 2019: JPY 72,447 million [4.8%]

Nine-month period ended December 31, 2018: JPY 69,141 million [(7.1%)]

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, 2019	December 31, 2019
Total assets	1,765,105	1,808,490
Net assets	1,125,954	1,158,579
Equity ratio	56.4%	56.5%
Net assets per share (in yen)	4,562.08	4,682.27

Note 1: Equity as of:

December 31, 2019 : JPY 1,021,955 million

March 31, 2019 : JPY 995,720 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		
	2019	2020	2020 (projected)
1 st quarter dividends per share (in yen)	–	–	
2 nd quarter dividends per share (in yen)	80.00	85.00	
3 rd quarter dividends per share (in yen)	–	–	
Year-end dividends per share (in yen)	85.00		85.00
Annual dividends per share (in yen)	165.00		170.00

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, 2020 (April 1, 2019 – March 31, 2020)

(In millions of yen)

	Year ending March 31, 2020
Projected revenue	1,038,000 2.4%
Projected operating profit	131,500 1.0%
Projected ordinary profit	138,000 (4.8%)
Projected net income attributable to owners of the parent	83,000 (9.8%)
Projected basic net income per share (in yen)	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, 2020 is calculated based on the number of average common shares outstanding over the nine-month period ended December 31, 2019, assuming that it remains the same until March 31, 2020.

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, 2019 (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, 2019:	233,293,998 shares
March 31, 2019:	233,292,219 shares
 - ② Number of shares of treasury stock, as of:

December 31, 2019:	15,033,104 shares
March 31, 2019:	15,031,867 shares
 - ③ Number of average common shares outstanding over:

The nine-month period ended December 31, 2019:	218,260,886 shares
The nine-month period ended December 31, 2018:	218,260,547 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, 2019 (3) Qualitative Information Regarding Consolidated Financial Projections” on page 4 in the appendices.

Contents for the Appendices

- 1. Qualitative Information Regarding the Nine-month Period Ended December 31, 2019..... - 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. 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 - 9 -
 - [Notes Regarding the Assumption of Going Concern] - 9 -
 - [Notes Regarding Significant Changes in Shareholders' Equity] - 9 -
 - [Segment Information, etc.]..... - 9 -
 - [Significant Subsequent Events] - 10 -

1. Qualitative Information Regarding the Nine-month Period Ended December 31, 2019

(1) Qualitative Information Regarding Consolidated Financial Results

During the nine-month period ended December 31, 2019, Japanese economy has been in a moderate upward trend as shown in corporate earnings on high level and improvements in employment environment. On the other hand, continual attentions to the effects of trends in overseas economies related to the situations over trade issues, the prospect of the Chinese economy, the outcome of the U.K. exiting the E.U. (BREXIT), the fluctuations in the financial and capital markets, in addition to the impacts of the natural disasters and the consumption tax increase, have been required.

In this environment, we have been continuously pushing forward with efforts to establish the “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 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 2018, we announced the SECOM Group Road Map 2022, in which we clarified what we should do to achieve our Vision for 2030, and have been actively working to implement the road map.

As an official sponsor of Rugby World Cup 2019, held from September to November 2019 in Japan, we provided security services at stadiums. We conducted security screenings including baggage check and body search at entrance gates, and placed security guards on the fields during the games. By ensuring safety of key locations and being prepared for any contingencies, we supported the safe and secure staging of the tournaments.

In December, as the first project of SECOM DESIGN FACTORY, our strategic collaboration projects with partners that aim to create innovative and unique services, we launched a new service *Mago*-channel with SECOM, which provides discreet monitoring of parents living apart from their children while enjoying communications.

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.

Consolidated revenue for the nine-month period ended December 31, 2019 increased by 5.4% to 766.0 billion yen and consolidated operating profit increased by 10.0% or 9.2 billion yen to 102.2 billion yen, owing to the increase in revenue in all segments including security services. Consolidated ordinary profit increased by 2.8% or 2.9 billion yen to 110.7 billion yen, despite the slow profit growth mainly due to the decreases in net gains on private equity investment in the U.S. etc. by 5.3 billion yen and net gains from investment in affiliated companies accounted for under the equity method by 1.7 billion yen. Consolidated net income attributable to owners of the parent decreased by 2.4% to 67.8 billion yen, mainly attributable to the increase in tax expenses. For the nine-month period ended December 31, 2019, consolidated revenue, consolidated operating profit and consolidated ordinary profit reached a record-high, respectively.

Segment information is as follows.

In the security services segment, revenue increased by 2.0% to 420.3 billion yen, mainly due to the brisk sales of on-line security systems for commercial and residential use, as well as the contribution of Secom Tosec Co., Ltd., a subsidiary consolidated from the second quarter of the previous fiscal year. Operating profit was up by 0.3% to 86.0 billion yen.

In the fire protection services segment, revenue increased by 12.9% to 100.4 billion yen, mainly attributable to the active marketing efforts. Operating profit was up by 110.1% to 8.8 billion yen, chiefly owing to the improvement in profitability compared to the corresponding period of the previous fiscal year. 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 7.2% to 57.6 billion yen, mainly due to the increase in sales of drugs and medical equipment. Operating profit rose 10.3% to 4.0 billion yen.

In the insurance services segment, revenue increased by 5.5% to 35.2 billion yen, mainly due to the firm increase in sales of MEDCOM, an unrestricted cancer treatment policy, fire insurance policy and automobile insurance policy provided by Secom General Insurance Co., Ltd. Operating profit was down 1.7 % to 3.1 billion yen, chiefly owing to the major disasters occurred during the nine-month period.

In the geospatial information services segment, revenue increased by 9.7% to 36.9 billion yen, chiefly owing to the rise in revenue from services for the public sector, with increase in surveying services using airborne laser. The segment reported an operating profit of 1.5 billion yen, compared with an operating loss of 90 million 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 • ICT services segment, revenue increased by 11.2% to 74.7 billion yen, chiefly owing to the increase in revenue in data center business and TMJ, Inc., a provider of BPO services including contact centers and back office services. Operating profit increased by 25.1% to 7.3 billion yen.

In the real estate and other services segment, revenue increased by 7.1% to 40.6 billion yen, mainly due to the increase in revenue in the real estate development and sales business. Operating profit rose 16.5% to 4.2 billion yen.

(2) Qualitative Information Regarding Consolidated Financial Position

Consolidated Balance Sheets

Total assets as of December 31, 2019 amounted to 1,808.4 billion yen, 2.5% or 43.3 billion yen higher than that at the end of the previous fiscal year. Total current assets, at 886.5 billion yen, were up 4.7% or 39.8 billion yen. This was largely attributable to the increases in cash deposits for armored car

services by 32.0% or 45.6 billion yen to 187.9 billion yen and cash on hand and in banks by 3.2% or 11.3 billion yen to 361.6 billion yen, despite the decrease in notes and accounts receivable, trade by 14.2% or 19.0 billion yen to 114.6 billion yen. Total fixed assets, at 921.8 billion yen, were up 0.4% or 3.5 billion yen. This was mainly attributable to the increases in tangible assets by 1.6% or 6.0 billion yen to 384.4 billion yen and investment securities by 1.9% or 5.1 billion yen to 274.7 billion yen, despite the decrease in deferred income taxes by 12.4% or 3.3 billion yen to 24.0 billion yen.

Total liabilities amounted to 649.9 billion yen, 1.7% or 10.7 billion yen higher than that at the end of the previous fiscal year. Total current liabilities amounted to 380.0 billion yen, up 2.9% or 10.5 billion yen, owing to the increase in deposits received for armored car services by 33.0% or 40.0 billion yen to 161.0 billion yen, despite the decreases in accrued income taxes by 66.4% or 15.1 billion yen to 7.6 billion yen, accrued bonuses by 60.7% or 10.4 billion yen to 6.7 billion yen, and notes and accounts payable, trade by 9.1% or 4.1 billion yen to 41.6 billion yen. Long-term liabilities increased by 0.1% or 0.1 billion yen to 269.8 billion yen, compared to that at the end of the previous fiscal year. This was mainly attributable to the increase in deferred income taxes by 33.1% or 2.8 billion yen to 11.6 billion yen, despite the decrease in investment deposits by policyholders, unearned premiums and other insurance liabilities by 0.6% or 1.0 billion yen to 171.8 billion yen.

Total net assets amounted to 1,158.5 billion yen, 2.9% or 32.6 billion yen higher than that at the end of the previous fiscal year, due to the increases in retained earnings by 3.4% or 30.7 billion yen, unrealized gains on securities by 14.9% or 2.7 billion yen and noncontrolling interests by 4.9% or 6.3 billion yen, despite the decrease in foreign currency translation adjustments by 59.9% or 6.4 billion yen.

(3) Qualitative Information Regarding Consolidated Financial Projections

Although the results for the third quarter of this fiscal year were above our initial projections, the full-year projections remain unchanged from those disclosed on May 14, 2019, due to various uncertain factors including the effects of natural disasters and new coronavirus. In accordance with the future business environment and performance trends, any revisions that we deem necessary will be disclosed promptly.

(Notes for financial projections)

Projections for the consolidated financial results for the fiscal year ending March 31, 2020, 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, 2019	December 31, 2019
ASSETS:		
Current assets:	846,759	886,594
Cash on hand and in banks	350,319	361,669
Cash deposits for armored car services	142,335	187,945
Notes and accounts receivable, trade	133,659	114,619
Due from subscribers	41,616	40,982
Short-term investments	25,382	26,718
Lease receivables and investment in leased assets	41,826	38,842
Merchandise and products	14,146	15,798
Real estate inventories	5,864	6,983
Work in process	5,872	7,383
Costs on uncompleted construction contracts	10,971	14,663
Work in process for real estate inventories	30,743	25,350
Raw materials and supplies	10,398	11,322
Short-term loans receivable	4,398	5,088
Other	31,000	30,760
Allowance for doubtful accounts	(1,775)	(1,533)
Fixed assets:	918,346	921,896
Tangible assets:	378,401	384,479
Buildings and improvements, net	148,693	152,123
Security equipment and control stations, net	71,715	74,905
Land	116,876	117,062
Other, net	41,115	40,388
Intangible assets	128,215	126,469
Investments and others:	411,728	410,947
Investment securities	269,575	274,774
Long-term loans receivable	35,284	33,620
Net defined benefit asset	38,488	37,783
Deferred income taxes	27,469	24,070
Other	53,952	53,330
Allowance for doubtful accounts	(13,042)	(12,632)
Total assets	1,765,105	1,808,490

(1) Consolidated Balance Sheets (Continued)

(In millions of yen)

	March 31, 2019	December 31, 2019
LIABILITIES:		
Current liabilities:	369,458	380,041
Notes and accounts payable, trade	45,826	41,675
Bank loans	39,126	41,219
Current portion of straight bonds	2,009	1,530
Lease obligations	4,875	4,590
Payables - other	42,645	41,377
Accrued income taxes	22,767	7,659
Accrued consumption taxes	7,209	9,477
Accrued expenses	7,329	7,059
Deposits received for armored car services	121,086	161,086
Deferred revenue	30,438	31,799
Accrued bonuses	17,255	6,778
Provision for losses on construction contracts	2,913	2,711
Other	25,975	23,074
Long-term liabilities:	269,691	269,869
Straight bonds	4,702	4,706
Long-term loans	10,063	9,650
Lease obligations	11,960	11,630
Guarantee deposits received	32,955	32,266
Deferred income taxes	8,735	11,625
Accrued retirement benefits for directors and audit and supervisory board members	1,046	837
Net defined benefit liability	22,953	22,939
Investment deposits by policyholders, unearned premiums and other insurance liabilities	172,866	171,845
Other	4,406	4,367
Total liabilities	639,150	649,910
NET ASSETS:		
Shareholders' equity:	981,846	1,012,531
Common stock	66,392	66,401
Capital surplus	80,360	80,330
Retained earnings	908,852	939,570
Common stock in treasury, at cost	(73,759)	(73,771)
Accumulated other comprehensive income (losses) :	13,873	9,424
Unrealized gains on securities	18,157	20,863
Deferred losses on hedges	(21)	(16)
Foreign currency translation adjustments	(10,683)	(17,084)
Remeasurements of defined benefit plans, net of taxes	6,421	5,661
Noncontrolling Interests	130,234	136,624
Total net assets	1,125,954	1,158,579
Total liabilities and net assets	1,765,105	1,808,490

(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, 2018	Nine-month period ended December 31, 2019
Revenue	726,983	766,008
Costs of revenue	493,755	520,307
Gross profit	233,228	245,701
Selling, general and administrative expenses	140,267	143,489
Operating profit	92,960	102,212
Non-operating income	17,974	11,970
Non-operating expenses	3,135	3,396
Ordinary profit	107,799	110,786
Extraordinary profit	649	2,905
Extraordinary losses	1,297	2,511
Income before income taxes	107,151	111,180
Income taxes - current	30,731	28,539
Income taxes - deferred	(1,647)	5,628
Total income taxes	29,083	34,168
Net income	78,068	77,012
Net income attributable to noncontrolling interests	8,564	9,190
Net income attributable to owners of the parent	69,503	67,822

Consolidated Statements of Comprehensive Income

(In millions of yen)

	Nine-month period ended December 31, 2018	Nine-month period ended December 31, 2019
Net income	78,068	77,012
Other comprehensive income (losses):	(8,926)	(4,565)
Unrealized gains (losses) on securities	(6,366)	2,683
Deferred gains (losses) on hedges	(0)	-
Foreign currency translation adjustments	(568)	(3,108)
Remeasurements of defined benefit plans, net of taxes	(442)	(819)
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	(1,549)	(3,321)
Comprehensive income	69,141	72,447
Comprehensive income attributable to:		
Owners of the parent company	61,148	63,373
Noncontrolling interests	7,993	9,074

(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.

[Segment Information, etc.]

Segment Information

I. Nine-month Period Ended December 31, 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	411,979	89,008	53,803	33,368	33,690
Intersegment	10,461	2,972	127	2,392	169
Subtotal	422,440	91,980	53,930	35,761	33,860
Segment profit (loss)	85,772	4,224	3,689	3,195	(98)

	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	67,210	689,061	37,922	726,983	-	726,983
Intersegment	6,743	22,866	1,445	24,312	(24,312)	-
Subtotal	73,954	711,928	39,367	751,296	(24,312)	726,983
Segment profit (loss)	5,877	102,662	3,651	106,314	(13,353)	92,960

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 498 million yen and corporate expenses not allocated to each reportable segment of 12,855 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, 2019

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	420,307	100,489	57,687	35,203	36,965
Intersegment	9,432	2,717	154	2,689	147
Subtotal	429,740	103,206	57,841	37,893	37,112
Segment profit	86,040	8,876	4,071	3,141	1,540

	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	74,725	725,378	40,630	766,008	-	766,008
Intersegment	7,608	22,750	986	23,736	(23,736)	-
Subtotal	82,333	748,128	41,616	789,744	(23,736)	766,008
Segment profit	7,356	111,026	4,253	115,280	(13,068)	102,212

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 includes intersegment eliminations of 138 million yen and corporate expenses not allocated to each reportable segment of 12,930 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 is adjusted to operating profit in the consolidated statements of income.

[Significant Subsequent Events]

Not applicable.