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QUARTERLY FINANCIAL REPORT FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020

(Based on JAPANESE GAAP) (Consolidated)

August 12, 2020

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Scheduled date of filing Quarterly Securities Report: August 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 three-month period ended June 30, 2020 (April 1, 2020–June 30, 2020)

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

	Three-month Period Ended June 30	
	2019	2020
Revenue	239,003 4.4%	239,113 0.0%
Operating profit	30,788 3.7%	31,896 3.6%
Ordinary profit	33,543 (11.7%)	30,704 (8.5%)
Net income attributable to owners of the parent	20,407 (25.4%)	19,148 (6.2%)
Basic net income per share (in yen)	93.50	87.73
Diluted net income per share (in yen)	—	—

Note 1: Comprehensive income:

Three-month period ended June 30, 2020: JPY 21,733 million [10.9%]

Three-month period ended June 30, 2019: JPY 19,588 million [(17.1%)]

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, 2020	June 30, 2020
Total assets	1,815,121	1,777,099
Net assets	1,172,494	1,174,286
Equity ratio	57.0%	58.3%
Net assets per share (in yen)	4,742.58	4,750.41

Note 1: Equity as of:

June 30, 2020 : JPY 1,036,826 million

March 31, 2020 : JPY 1,035,116 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		
	2020	2021	2021 (projected)
1 st quarter dividends per share (in yen)	–	–	
2 nd quarter dividends per share (in yen)	85.00		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)	170.00		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, 2021 (April 1, 2020 – March 31, 2021) and the six-month period ending September 30, 2020 (April 1, 2020 – September 30, 2020)

(In millions of yen)

	Six-month period ending September 30, 2020	Year ending March 31, 2021
Projected revenue	487,000 (3.3%)	1,034,000 (2.5%)
Projected operating profit	54,000 (17.0%)	124,000 (13.2%)
Projected ordinary profit	57,000 (18.9%)	130,000 (14.1%)
Projected net income attributable to owners of the parent	35,500 (18.1%)	79,000 (11.3%)
Projected basic net income per share (in yen)	162.65	361.95

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, 2021 and the six-month period ending September 30, 2020 are calculated based on the number of average common shares outstanding over the three-month period ended June 30, 2020, assuming that it remains the same until March 31, 2021.

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, 2020 (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, 2020 : 233,293,998 shares
 - March 31, 2020 : 233,293,998 shares
 - ② Number of shares of treasury stock, as of:
 - June 30, 2020 : 15,033,758 shares
 - March 31, 2020 : 15,033,588 shares
 - ③ Number of average common shares outstanding over:
 - The three-month period ended June 30, 2020: 218,260,273 shares
 - The three-month period ended June 30, 2019: 218,260,100 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, 2020 (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, 2020

(1) Qualitative Information Regarding Consolidated Financial Results

During the three-month period ended June 30, 2020, due to the COVID-19 pandemic, Japanese economy remained extremely challenging with drastic declines in corporate earnings and private consumption. In addition, continual attention to the trend of COVID-19 in Japan and overseas and the effects of fluctuations in the financial and capital markets have been required, while gradual resumptions of social and economic activities were seen.

In such an environment caused by COVID-19, we maintained the provision of services with placing highest priority on ensuring the safety of customers and employees by taking a number of measures to help prevent the further spread of COVID-19, including mandating use of face masks and sanitizers and actively introducing staggered commutes and telework.

Responding to the “new normal,” we comprehensively provided necessary services for teleworking, including network security, document digitization, and employee attendance management and safety confirmation services. We also actively promoted the use of SECOM Vitalook remote medical support platform with the aim of reducing contacts between medical professionals and those contracted COVID-19 at medical institutions.

In addition to these measures against COVID-19, we formulated the SECOM Group’s Vision for 2030 in 2017, while pressing forward with ongoing efforts to establish the “Social System Industry,” which delivers safety and peace of mind, as well as makes life more comfortable and convenient. Furthermore, 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. 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 three-month period ended June 30, 2020 was 239.1 billion yen, up 0.1 billion yen from the previous corresponding period. Consolidated operating profit increased by 3.6% to 31.8 billion yen, chiefly owing to the increases in operating profit in Geospatial Information Services and BPO and ICT Services. Consolidated ordinary profit decreased by 8.5% to 30.7 billion yen, mainly due to the recognition of net losses of 2.4 billion yen on private equity investment in the U.S. Consolidated net income attributable to owners of the parent decreased by 6.2% to 19.1 billion yen. For the three-month period ended June 30, 2020, revenue and operating profit reached a record-high.

Segment information is as follows.

In the security services segment, revenue decreased by 0.9% to 135.7 billion yen, mainly due to the decreases in sales of merchandise and revenue from installation largely affected by COVID-19, despite the brisk sales of on-line security systems for commercial and residential use. Operating profit decreased by 2.2% to 28.2 billion yen.

In the fire protection services segment, revenue decreased by 1.6% to 27.1 billion yen, attributable to the inclusion of large projects in the previous corresponding period. Operating profit decreased by 69.0% to 0.2 billion yen, chiefly owing to the concentration of projects with high profitability in the previous corresponding period. 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 3.9% to 17.6 billion yen, mainly due to the decrease in sales of drugs and medical equipment largely affected by COVID-19. Operating profit decreased by 0.9% to 1.3 billion yen.

In the insurance services segment, revenue increased by 0.3% to 11.2 billion yen. Operating profit increased by 13.0% to 1.6 billion yen.

In the geospatial information services segment, revenue increased by 2.9% to 10.1 billion yen, chiefly owing to the rise in revenue from services for the public sector, with increase in surveying services using airborne laser. Operating profit was 81 million yen, from an operating loss of 0.7 billion yen in the previous corresponding period, mainly attributable to the improvement in cost ratio in international division as the result of business optimization efforts as well as the decrease in selling, general and administrative expenses. 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 13.8% to 26.8 billion yen, chiefly owing to the increase in revenue in TMJ, Inc., a provider of BPO services including contact centers and back office services, and data center business. Operating profit increased by 32.2% to 2.7 billion yen.

In the real estate and other services segment, revenue decreased by 9.1% to 10.3 billion yen, mainly due to the decrease in revenue in the real estate development and sales business largely affected by COVID-19. Operating profit increased by 31.5% to 1.4 billion yen, chiefly owing to the improvement in cost ratio in the real estate development and sales business.

(2) Qualitative Information Regarding Consolidated Financial Position

Consolidated Balance Sheets

Total assets as of June 30, 2020 amounted to 1,777.0 billion yen, 2.1% or 38.0 billion yen lower than that at the end of the previous fiscal year. Total current assets, at 879.6 billion yen, were down 3.8% or 34.7 billion yen. This was largely attributable to the decreases in notes and accounts receivable, trade by 37.5% or 53.0 billion yen to 88.5 billion yen, and due from subscribers by 11.0% or 4.4 billion yen

to 36.2 billion yen, despite the increase in cash on hand and in banks by 6.1% or 25.4 billion yen to 439.6 billion yen. Total fixed assets, at 897.4 billion yen, were down 0.4% or 3.2 billion yen that at the end of the previous fiscal year. This was mainly attributable to the decreases in deferred income taxes by 9.8% or 3.0 billion yen to 28.4 billion yen, and intangible assets by 1.6% or 1.9 billion yen to 122.8 billion yen, despite the increase in investment securities by 0.7% or 1.8 billion yen to 254.1 billion yen.

Total liabilities amounted to 602.8 billion yen, 6.2% or 39.8 billion yen lower than that at the end of the previous fiscal year. Total current liabilities amounted to 332.6 billion yen, down 11.1% or 41.6 billion yen, owing to the decreases in accrued income taxes by 73.7% or 18.2 billion yen to 6.5 billion yen, notes and accounts payable, trade by 23.7% or 11.2 billion yen to 36.1 billion yen, payables - other by 18.8% or 8.0 billion yen to 34.8 billion yen, and accrued bonuses by 32.6% or 5.9 billion yen to 12.2 billion yen. Long-term liabilities increased by 0.7% or 1.7 billion yen to 270.1 billion yen, owing to the increases in deferred income taxes by 15.6% or 1.2 billion yen to 9.0 billion yen, and lease obligations by 9.2% or 1.0 billion yen to 12.9 billion yen.

Total net assets amounted to 1,174.2 billion yen, 0.2% or 1.7 billion yen higher than that at the end of the previous fiscal year, mainly due to the increase in unrealized gains on securities by 36.7% or 4.4 billion yen, despite the decrease in foreign currency translation adjustments by 23.9% or 3.2 billion yen.

(3) Qualitative Information Regarding Consolidated Financial Projections

Projections for the consolidated financial results for the six-month period ending September 30, 2020 and the fiscal year ending March 31, 2021 have not been changed from those disclosed on May 12, 2020.

(Notes for financial projections)

Projections for the consolidated financial results for the six-month period ending September 30, 2020 and the fiscal year ending March 31, 2021, 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, 2020	June 30, 2020
ASSETS:		
Current assets:	914,465	879,682
Cash on hand and in banks	414,199	439,648
Cash deposits for armored car services	140,905	142,804
Notes and accounts receivable, trade	141,609	88,563
Due from subscribers	40,745	36,268
Short-term investments	32,442	32,236
Lease receivables and investment in leased assets	42,768	41,359
Merchandise and products	13,862	15,289
Real estate inventories	4,930	4,355
Work in process	5,237	5,714
Costs on uncompleted construction contracts	10,780	9,945
Work in process for real estate inventories	21,806	21,851
Raw materials and supplies	10,927	11,527
Short-term loans receivable	4,525	4,774
Other	31,400	26,819
Allowance for doubtful accounts	(1,677)	(1,475)
Fixed assets:	900,656	897,416
Tangible assets:	386,308	386,662
Buildings and improvements, net	153,307	152,248
Security equipment and control stations, net	74,309	75,184
Land	117,720	117,557
Other, net	40,970	41,672
Intangible assets	124,767	122,820
Investments and others:	389,580	387,932
Investment securities	252,299	254,177
Long-term loans receivable	34,351	34,977
Net defined benefit asset	31,789	32,447
Deferred income taxes	31,554	28,470
Other	52,232	50,824
Allowance for doubtful accounts	(12,647)	(12,963)
Total assets	1,815,121	1,777,099

(1) Consolidated Balance Sheets (Continued)

(In millions of yen)

	March 31, 2020	June 30, 2020
LIABILITIES :		
Current liabilities:	374,284	332,683
Notes and accounts payable, trade	47,409	36,194
Bank loans	38,364	34,227
Current portion of straight bonds	2,916	2,868
Lease obligations	4,702	4,718
Payables - other	42,927	34,843
Accrued income taxes	24,740	6,506
Accrued consumption taxes	11,666	10,526
Accrued expenses	7,294	7,616
Deposits received for armored car services	118,302	122,408
Deferred revenue	31,224	33,675
Accrued bonuses	18,213	12,279
Provision for losses on construction contracts	2,391	2,424
Other	24,129	24,393
Long-term liabilities:	268,343	270,128
Straight bonds	4,143	4,143
Long-term loans	8,674	8,758
Lease obligations	11,865	12,956
Guarantee deposits received	32,632	31,986
Deferred income taxes	7,866	9,094
Accrued retirement benefits for directors and audit and supervisory board members	794	760
Net defined benefit liability	23,710	23,567
Investment deposits by policyholders, unearned premiums and other insurance liabilities	174,602	174,860
Other	4,052	4,000
Total liabilities	642,627	602,812
NET ASSETS :		
Shareholders' equity:	1,035,328	1,035,923
Common stock	66,401	66,401
Capital surplus	81,874	81,874
Retained earnings	960,828	961,424
Common stock in treasury, at cost	(73,775)	(73,777)
Accumulated other comprehensive income (losses):	(212)	903
Unrealized gains on securities	12,095	16,532
Deferred losses on hedges	(15)	(14)
Foreign currency translation adjustments	(13,388)	(16,594)
Remeasurements of defined benefit plans, net of taxes	1,096	980
Noncontrolling Interests	137,378	137,460
Total net assets	1,172,494	1,174,286
Total liabilities and net assets	1,815,121	1,777,099

(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, 2019	Three-month period ended June 30, 2020
Revenue	239,003	239,113
Costs of revenue	160,977	160,090
Gross profit	78,026	79,023
Selling, general and administrative expenses	47,237	47,127
Operating profit	30,788	31,896
Non-operating income	3,904	2,993
Non-operating expenses	1,149	4,184
Ordinary profit	33,543	30,704
Extraordinary profit	425	163
Extraordinary losses	852	375
Income before income taxes	33,116	30,492
Income taxes - current	7,414	7,119
Income taxes - deferred	3,331	2,560
Total income taxes	10,746	9,679
Net income	22,370	20,812
Net income attributable to noncontrolling interests	1,962	1,664
Net income attributable to owners of the parent	20,407	19,148

Consolidated Statements of Comprehensive Income

(In millions of yen)

	Three-month period ended June 30, 2019	Three-month period ended June 30, 2020
Net income	22,370	20,812
Other comprehensive income (losses):	(2,781)	920
Unrealized gains (losses) on securities	(2,351)	4,667
Foreign currency translation adjustments	342	(1,734)
Remeasurements of defined benefit plans, net of taxes	(291)	(100)
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	(480)	(1,913)
Comprehensive income	19,588	21,733
Comprehensive income attributable to:		
Owners of the parent company	17,676	20,263
Noncontrolling interests	1,912	1,469

(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]

There have been no material changes to the assumptions, including the future spread of COVID-19 and the timing of its containment, described in Additional Information “Accounting estimates of the impact of the spread of COVID-19” in the Annual Securities Report for the year ended March 31, 2020.

Reference

(Additional Information in the Annual Securities Report for the year ended March 31, 2020)

“Accounting estimates of the impact of the spread of COVID-19”

The SECOM Group has made accounting estimates for impairment of fixed assets and allowance for doubtful accounts based on the assumption that the impact of the spread of COVID-19 will continue for at least a certain period of time. At this point in time, we expect that there will be no material impact on the consolidated financial statements. However, since there are a number of uncertainties regarding the impact of the spread of COVID-19, there may be a significant impact on the financial position and operating results of the SECOM Group in the next fiscal year and beyond.

[Segment Information, etc.]

Segment Information

I. Three-month Period Ended June 30, 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	137,000	27,589	18,324	11,223	9,858
Intersegment	3,054	907	47	836	54
Subtotal	140,054	28,496	18,372	12,059	9,913
Segment profit (loss)	28,903	817	1,328	1,492	(718)

	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	23,605	227,602	11,401	239,003	-	239,003
Intersegment	1,495	6,395	311	6,707	(6,707)	-
Subtotal	25,101	233,997	11,713	245,710	(6,707)	239,003
Segment profit (loss)	2,047	33,870	1,122	34,992	(4,204)	30,788

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 elimination of (45) million yen and corporate expenses not allocated to each reportable segment of 4,249 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, 2020

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	135,722	27,146	17,602	11,260	10,148
Intersegment	2,904	746	57	830	56
Subtotal	138,627	27,893	17,659	12,091	10,204
Segment profit	28,268	253	1,316	1,686	81

	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	26,873	228,754	10,359	239,113	-	239,113
Intersegment	1,706	6,301	279	6,581	(6,581)	-
Subtotal	28,580	235,056	10,638	245,695	(6,581)	239,113
Segment profit	2,706	34,312	1,476	35,788	(3,892)	31,896

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 elimination of (171) million yen and corporate expenses not allocated to each reportable segment of 4,063 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.