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QUARTERLY FINANCIAL REPORT FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2020

(Based on JAPANESE GAAP) (Consolidated)

February 5, 2021

Company name: SECOM CO., LTD. (URL: <https://www.secom.co.jp/>)
 Code number: 9735 Tokyo Stock Exchange ----- First Section
 Representative: Ichiro Ozeki, President and Representative Director
 For inquiries: Seiya Nagao, Executive Officer and Head of Finance Division
 Phone (03) 5775-8100

Scheduled date of filing Quarterly Securities Report: February 12, 2021

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, 2020 (April 1, 2020– December 31, 2020)

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

	Nine-month Period Ended December 31	
	2019	2020
Revenue	766,008 5.4%	753,080 (1.7%)
Operating profit	102,212 10.0%	100,416 (1.8%)
Ordinary profit	110,786 2.8%	100,900 (8.9%)
Net income attributable to owners of the parent	67,822 (2.4%)	54,138 (20.2%)
Basic net income per share (in yen)	310.74	248.05
Diluted net income per share (in yen)	—	—

Note 1: Comprehensive income:

Nine-month period ended December 31, 2020: JPY 61,927 million [(14.5%)]

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

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, 2020	December 31, 2020
Total assets	1,815,121	1,835,639
Net assets	1,172,494	1,195,916
Equity ratio	57.0%	57.4%
Net assets per share (in yen)	4,742.58	4,824.11

Note 1: Equity as of:

December 31, 2020 : JPY 1,052,916 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)

(In millions of yen)

	Year ending March 31, 2021
Projected revenue	1,034,000 (2.5%)
Projected operating profit	124,000 (13.2%)
Projected ordinary profit	130,000 (14.1%)
Projected net income attributable to owners of the parent	79,000 (11.3%)
Projected basic net income per share (in yen)	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 is calculated based on the number of average common shares outstanding over the nine-month period ended December 31, 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 nine-month period ended December 31, 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:

December 31, 2020:	233,295,926 shares
March 31, 2020:	233,293,998 shares
 - ② Number of shares of treasury stock, as of:

December 31, 2020:	15,034,403 shares
March 31, 2020:	15,033,588 shares
 - ③ Number of average common shares outstanding over:

The nine-month period ended December 31, 2020:	218,261,318 shares
The nine-month period ended December 31, 2019:	218,260,886 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, 2020 (3) Qualitative Information Regarding Consolidated Financial Projections” on page 4 in the appendices.

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1. Qualitative Information Regarding the Nine-month Period Ended December 31, 2020

(1) Qualitative Information Regarding Consolidated Financial Results

During the nine-month period ended December 31, 2020, Japanese economy remained challenging with a significant decline in corporate earnings due to COVID-19, although there were signs of recovery in some areas such as consumer spending. In addition, as the number of COVID-19 cases again showed an upward trend, continual attention to the trends of the infectious disease 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.

Under these circumstances, we have been actively working to implement initiatives to achieve the SECOM Group's Vision for 2030, formulated with an aim to establish the "Social System Industry," which delivers safety and peace of mind, as well as makes life more comfortable and convenient, and the SECOM Group Road Map 2022, in which we clarified what we should do now to achieve the vision.

In September and October 2020, we acquired 100% outstanding shares of the two security services providers in Malaysia and Singapore under Johnson Controls International PLC (headquartered in Cork, Ireland) and made them our subsidiaries, in order to accelerate business expansion into new potential markets such as growing wealthy and middle-classes in Asia. Dealing with the COVID-19 calamity, we promoted sales of products for prevention of infection spread and worked to provide services that respond to needs in the new normal, such as telework-related and for watching over elderlies who live apart from their family during the travel restrictions including returning home. In the period under review, we continued to provide meticulous and seamless services through various initiatives to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind.

Consolidated revenue for the nine-month period ended December 31, 2020 decreased by 1.7% to 753.0 billion yen, owing to the decrease in revenue in Security Services, Fire Protection Services, Medical Services and Real Estate and Other Services, despite the increase in revenue mainly in BPO and ICT Services, largely attributable to the effect of COVID-19. Consolidated operating profit decreased by 1.8% to 100.4 billion yen. Consolidated ordinary profit decreased by 8.9% to 100.9 billion yen, mainly due to the decrease in net gains/(losses) on private equity investment in the U.S. etc. by 6.8 billion yen in non-operating profit/(loss). Consolidated net income attributable to owners of the parent decreased by 20.2% to 54.1 billion yen, mainly attributable to the recognition of amortization of goodwill of 4.7 billion yen and net losses of 2.9 billion yen on sales of investment securities in subsidiaries and affiliates in extraordinary losses.

Segment information is as follows.

In the security services segment, revenue decreased by 0.8% to 416.7 billion yen, mainly due to the decrease in sales of merchandise largely affected by COVID-19, despite the brisk sales of on-line security systems for commercial and residential use. Operating profit declined by 0.6% to 85.5 billion yen.

In the fire protection services segment, revenue decreased by 7.2% to 93.2 billion yen, mainly

attributable to the effect of COVID-19 and the inclusion of large projects in the previous corresponding period. Operating profit was down by 40.6% to 5.2 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 7.4% to 53.4 billion yen, mainly due to the decrease in sales of medical equipment and drugs largely affected by COVID-19. Operating profit declined by 13.8 % to 3.5 billion yen.

In the insurance services segment, revenue increased by 4.4% to 36.7 billion yen, mainly due to the firm increase in sales of MEDCOM, an unrestricted cancer treatment policy, automobile insurance policy, and fire insurance policy provided by Secom General Insurance Co., Ltd. Operating profit was down by 6.3 % to 2.9 billion yen, chiefly owing to the effect of major disasters including the Typhoon No.10 and The Heavy Rain Event of July 2020.

In the geospatial information services segment, revenue increased by 1.1% to 37.3 billion yen, and operating profit rose by 40.5% to 2.1 billion yen, mainly attributable to the improvement in cost ratio as the result of the enhancement in production efficiency and business optimization efforts in international division, 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 10.2% to 82.3 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 was up by 26.4% to 9.2 billion yen.

In the real estate and other services segment, revenue decreased by 18.5% to 33.1 billion yen, mainly due to the decrease in revenue in the real estate development and sales business largely affected by COVID-19. Operating profit declined 12.1% to 3.7 billion yen.

(2) Qualitative Information Regarding Consolidated Financial Position

Consolidated Balance Sheets

Total assets as of December 31, 2020 amounted to 1,835.6 billion yen, 1.1% or 20.5 billion yen higher than that at the end of the previous fiscal year. Total current assets, at 921.3 billion yen, were up 0.7% or 6.8 billion yen. This was largely attributable to the increases in cash on hand and in banks by 11.1% or 45.9 billion yen to 460.1 billion yen, cash deposits for armored car services by 30.0% or 42.2 billion yen to 183.1 billion yen, despite the decreases in notes and accounts receivable, trade by 24.0% or 34.0 billion yen to 107.6 billion yen, short-term investments by 48.9% or 15.8 billion yen to 16.5 billion yen, as well as work in process for real estate inventories by 21.8 billion yen and real estate inventories by 4.6 billion yen, both of which are mainly due to the share transfer of Secom Home Life Co., Ltd. Total fixed assets, at 914.3 billion yen, were up 1.5% or 13.6 billion yen. This was mainly attributable to the increase in investment securities by 6.9% or 17.3 billion yen to 269.6 billion yen, despite the decrease

in deferred income taxes by 15.6% or 4.9 billion yen to 26.6 billion yen.

Total liabilities amounted to 639.7 billion yen, 0.5% or 2.9 billion yen lower than that at the end of the previous fiscal year. Total current liabilities amounted to 368.4 billion yen, down 1.5% or 5.7 billion yen, owing to the decreases in accrued income taxes by 73.1% or 18.0 billion yen to 6.6 billion yen, accrued bonuses by 61.5% or 11.1 billion yen to 7.0 billion yen, notes and accounts payable, trade by 15.9% or 7.5 billion yen to 39.8 billion yen and bank loans by 16.9% or 6.4 billion yen to 31.8 billion yen, despite the increase in deposits received for armored car services by 36.0% or 42.6 billion yen to 160.9 billion yen. Long-term liabilities increased by 1.1% or 2.8 billion yen to 271.2 billion yen, compared to that at the end of the previous fiscal year. This was mainly attributable to the increases in investment deposits by policyholders, unearned premiums and other insurance liabilities by 1.1% or 1.9 billion yen to 176.5 billion yen and deferred income taxes by 23.3% or 1.8 billion yen to 9.7 billion yen.

Total net assets amounted to 1,195.9 billion yen, 2.0% or 23.4 billion yen higher than that at the end of the previous fiscal year, due to the increases in retained earnings by 1.8% or 17.0 billion yen, unrealized gains on securities by 44.1% or 5.3 billion yen and noncontrolling interests by 4.1% or 5.6 billion yen, despite the decrease in foreign currency translation adjustments by 31.4% or 4.2 billion yen.

(3) Qualitative Information Regarding Consolidated Financial Projections

As of the date of this announcement, the projections for the consolidated financial results for the fiscal year ending March 31, 2021 remain unchanged from those disclosed on May 12, 2020 although operating profit and ordinary profit are expected to exceed the projections. However, net income attributable to owners of the parent is expected to be lower than the projections mainly due to the undermentioned one time losses which were not factored in the projections.

Revenue for the fiscal year is expected to be in line with the projections, despite the decrease in revenue of 11.1 billion yen in the fourth quarter due to the share transfer of Secom Home Life Co., Ltd. (hereinafter, "Secom Home Life").

The one time losses which were not factored in the projections, that are recognized by the third quarter, include net losses of 4.1 billion yen on private equity investment in the U.S. etc., which were attributable to the impact of COVID-19, in non-operating expenses, and net losses of 2.7 billion yen on sales of investment securities in subsidiaries and affiliates as the result of the share transfer of Secom Home Life, which was associated with the structural reform, as well as amortization of goodwill of 4.7 billion yen in extraordinary losses.

In accordance with the trends of COVID-19 etc., any revisions in the projections that we deem necessary will be disclosed promptly.

The annual dividend of 170 yen per share remains unchanged.

(Notes for financial projections)

Projections for the consolidated financial results for 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	December 31, 2020
ASSETS:		
Current assets:	914,465	921,310
Cash on hand and in banks	414,199	460,118
Cash deposits for armored car services	140,905	183,148
Notes and accounts receivable, trade	141,609	107,601
Due from subscribers	40,745	39,595
Short-term investments	32,442	16,581
Lease receivables and investment in leased assets	42,768	39,906
Merchandise and products	13,862	15,849
Real estate inventories	4,930	243
Work in process	5,237	6,530
Costs on uncompleted construction contracts	10,780	13,001
Work in process for real estate inventories	21,806	-
Raw materials and supplies	10,927	11,264
Short-term loans receivable	4,525	3,618
Other	31,400	25,498
Allowance for doubtful accounts	(1,677)	(1,647)
Fixed assets:	900,656	914,328
Tangible assets:	386,308	388,595
Buildings and improvements, net	153,307	150,448
Security equipment and control stations, net	74,309	75,332
Land	117,720	121,093
Other, net	40,970	41,720
Intangible assets	124,767	121,228
Investments and others:	389,580	404,504
Investment securities	252,299	269,631
Long-term loans receivable	34,351	36,251
Net defined benefit asset	31,789	33,772
Deferred income taxes	31,554	26,617
Other	52,232	51,084
Allowance for doubtful accounts	(12,647)	(12,853)
Total assets	1,815,121	1,835,639

(1) Consolidated Balance Sheets (Continued)

(In millions of yen)

	March 31, 2020	December 31, 2020
LIABILITIES:		
Current liabilities:	374,284	368,492
Notes and accounts payable, trade	47,409	39,887
Bank loans	38,364	31,865
Current portion of straight bonds	2,916	1,967
Lease obligations	4,702	4,588
Payables - other	42,927	42,345
Accrued income taxes	24,740	6,648
Accrued consumption taxes	11,666	11,808
Accrued expenses	7,294	7,448
Deposits received for armored car services	118,302	160,929
Deferred revenue	31,224	30,368
Accrued bonuses	18,213	7,015
Provision for losses on construction contracts	2,391	2,024
Other	24,129	21,593
Long-term liabilities:	268,343	271,229
Straight bonds	4,143	4,106
Long-term loans	8,674	9,612
Lease obligations	11,865	12,615
Guarantee deposits received	32,632	31,160
Deferred income taxes	7,866	9,701
Accrued retirement benefits for directors and audit and supervisory board members	794	775
Net defined benefit liability	23,710	22,837
Investment deposits by policyholders, unearned premiums and other insurance liabilities	174,602	176,587
Other	4,052	3,833
Total liabilities	642,627	639,722
NET ASSETS:		
Shareholders' equity:	1,035,328	1,052,369
Common stock	66,401	66,410
Capital surplus	81,874	81,880
Retained earnings	960,828	977,862
Common stock in treasury, at cost	(73,775)	(73,783)
Accumulated other comprehensive income (losses) :	(212)	546
Unrealized gains on securities	12,095	17,432
Deferred losses on hedges	(15)	(12)
Foreign currency translation adjustments	(13,388)	(17,593)
Remeasurements of defined benefit plans, net of taxes	1,096	720
Noncontrolling Interests	137,378	143,000
Total net assets	1,172,494	1,195,916
Total liabilities and net assets	1,815,121	1,835,639

(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, 2019	Nine-month period ended December 31, 2020
Revenue	766,008	753,080
Costs of revenue	520,307	509,239
Gross profit	245,701	243,840
Selling, general and administrative expenses	143,489	143,424
Operating profit	102,212	100,416
Non-operating income	11,970	8,834
Non-operating expenses	3,396	8,350
Ordinary profit	110,786	100,900
Extraordinary profit	2,905	196
Extraordinary losses	2,511	8,897
Income before income taxes	111,180	92,199
Income taxes - current	28,539	26,516
Income taxes - deferred	5,628	4,427
Total income taxes	34,168	30,944
Net income	77,012	61,255
Net income attributable to noncontrolling interests	9,190	7,116
Net income attributable to owners of the parent	67,822	54,138

Consolidated Statements of Comprehensive Income

(In millions of yen)

	Nine-month period ended December 31, 2019	Nine-month period ended December 31, 2020
Net income	77,012	61,255
Other comprehensive income (losses):	(4,565)	672
Unrealized gains (losses) on securities	2,683	5,595
Foreign currency translation adjustments	(3,108)	(3,447)
Remeasurements of defined benefit plans, net of taxes	(819)	(341)
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	(3,321)	(1,133)
Comprehensive income	72,447	61,927
Comprehensive income attributable to:		
Owners of the parent company	63,373	54,897
Noncontrolling interests	9,074	7,029

(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. 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.

II. Nine-month Period Ended December 31, 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	416,790	93,269	53,402	36,760	37,356
Intersegment	8,630	2,245	156	2,359	161
Subtotal	425,420	95,514	53,559	39,119	37,517
Segment profit	85,550	5,273	3,509	2,943	2,164

	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	82,376	719,955	33,125	753,080	-	753,080
Intersegment	5,712	19,265	831	20,097	(20,097)	-
Subtotal	88,088	739,220	33,957	773,178	(20,097)	753,080
Segment profit	9,299	108,741	3,739	112,480	(12,064)	100,416

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 (384) million yen and corporate expenses not allocated to each reportable segment of 12,449 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.