

Note: The following is an abridged English translation of Quarterly Financial Report (*Kessan Tanshin*) of SECOM CO., LTD. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

QUARTERLY FINANCIAL REPORT
FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2021
 (Based on JAPANESE GAAP) (Consolidated)

November 10, 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
 Inquiries: Seiya Nagao, Executive Officer and Head of Finance Division
 Phone (03) 5775-8100

Scheduled date of filing Quarterly Securities Report: November 12, 2021
 Scheduled date of dividend payout: December 8, 2021
 Preparation of quarterly supplementary materials: Applicable
 Holding of quarterly results information meeting: Applicable (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six-month period ended September 30, 2021 (April 1, 2021 – September 30, 2021)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Six-month period ended	Revenue		Operating profit		Ordinary profit		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2021	502,658	2.3	71,185	17.2	76,944	30.0	48,013	48.4
September 30, 2020	491,202	(2.5)	60,729	(6.7)	59,199	(15.8)	32,360	(25.4)

Note: Comprehensive income Six-month period ended September 30, 2021: JPY 60,887 million [60.9%]
 Six-month period ended September 30, 2020: JPY 37,836 million [(9.1)%]

Six-month period ended	Basic net income per share	Diluted net income per share
	Yen	Yen
September 30, 2021	219.98	—
September 30, 2020	148.27	—

Note: There is no diluted net income per share as there are no shares with dilutive effect.

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
September 30, 2021	1,837,896	1,231,578	59.7	5,026.34
March 31, 2021	1,864,179	1,229,824	58.1	4,958.18

Reference: Equity

As of September 30, 2021: JPY 1,097,063 million

As of March 31, 2021: JPY 1,082,179 million

Note: 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

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	85.00	—	85.00	170.00
Fiscal year ending March 31, 2022	—	90.00			
Fiscal year ending March 31, 2022 (Projected)			—	90.00	180.00

Note: Revisions to the forecast of cash dividends most recently announced: Applicable
For changes in dividends, please refer to the Notice Concerning Distribution of Interim Dividends from Surplus announced on November 10, 2021.

3. Projections for the consolidated financial results for the fiscal year ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages indicate changes from the results of the corresponding periods of the previous year.)

	Projected revenue		Projected operating profit		Projected ordinary profit		Projected net income attributable to owners of the parent		Projected basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2022	1,052,000	1.6	139,500	1.9	145,000	4.3	86,500	15.8	396.31

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, 2022 is calculated based on the number of average common shares outstanding over the six-month period ended September 30, 2021, assuming that it remains the same until March 31, 2022.

* Notes

- (1) Changes in significant subsidiaries during the period (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 restatement
 - (i) Changes in accounting policies associated with amendment of accounting standards: Applicable
 - (ii) Other changes in accounting policies: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

Note: For information in detail, please refer to “2. Consolidated Quarterly Financial Statements (4) Notes Regarding the Consolidated Quarterly Financial Statement [Changes in Accounting Policies]” on page 11 of the Quarterly Financial Report (appendices).

(4) Number of common shares outstanding

(i) Number of common shares outstanding, including treasury stock

As of September 30, 2021	233,298,049 shares
As of March 31, 2021	233,295,926 shares

(ii) Number of shares of treasury stock

As of September 30, 2021	15,034,979 shares
As of March 31, 2021	15,034,565 shares

(iii) Number of average common shares outstanding during the period

The six-month period ended September 30, 2021	218,262,156 shares
The six-month period ended September 30, 2020	218,261,117 shares

Note on status of audit procedures

This report is excluded from the scope of audit procedures.

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 Six-month Period Ended September 30, 2021 (3) Qualitative Information Regarding Consolidated Financial Projections” on page 5 in the appendices.

Contents for the Appendices

- 1. Qualitative Information Regarding the Six-month Period Ended September 30, 2021 2
 - (1) Qualitative Information Regarding Consolidated Financial Results 2
 - (2) Qualitative Information Regarding Consolidated Financial Position 4
 - (3) Qualitative Information Regarding Consolidated Financial Projections 5
- 2. Consolidated Quarterly Financial Statements 6
 - (1) Consolidated Balance Sheets 6
 - (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income 8
 - (3) Consolidated Statements of Cash Flows 9
 - (4) Notes Regarding the Consolidated Quarterly Financial Statement 11
 - [Notes Regarding the Assumption of Going Concern] 11
 - [Notes in the Event of Significant Changes in the Amount of Shareholders' Equity]..... 11
 - [Changes in Accounting Policies] 11
 - [Additional Information] 12
 - [Segment Information, etc.] 13
 - [Significant Subsequent Events]..... 15

1. Qualitative Information Regarding the Six-month Period Ended September 30, 2021

(1) Qualitative Information Regarding Consolidated Financial Results

During the six-month period ended September 30, 2021, the Japanese economy remained challenging due to COVID-19, although recovery continued to be seen in some areas such as corporate earnings. While measures are taken to prevent the spread of infections and vaccinations are promoted, continual attention has been required to the increase in downside risks due to the impacts of the infectious disease on the domestic and overseas economy as well as the effects of fluctuations in the financial and capital markets.

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.

As an Official Partner in the category of Security Services and Planning, we sponsored the Olympic and Paralympic Games Tokyo 2020, held from July to September 2021. We were in charge of coordinating security for 13 competition venues and facilities, and provided security services for approximately 30 others. By utilizing the know-how and experience in the provision of security for large-scale events and mobilizing approximately 3,200 individuals, primarily highly experienced security guards, we contributed to safe and secure staging of the games.

In August, we expanded lineup of SECOM Home Security NEO and launched a LCD-type home controller with a stylish design that can fit anywhere in the house and a monitoring function that allows users to check images from cameras installed in their homes. Moreover, we amplified its functions to allow confirmation of camera images "anytime, anywhere" with a smartphone app. 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.

In December 2020, we transferred all of the issued shares of Secom Home Life Co., Ltd., which had been a consolidated subsidiary, and excluded it from the scope of consolidation. As a result, the segment name was changed from "real estate and other services" to "other services" from the three-month period ended June 30, 2021. There is no change in the segment classification as a result of this change regarding the segment name noted above.

Effective from the three-month period ended June 30, 2021, we have reviewed the segment classifications from the perspective of similarity and relevance of business activities in order to provide more appropriate information, and have reclassified some businesses previously included in the security services segment to the BPO and ICT services segment and the other services segment. For comparisons with the same period of the previous fiscal year, information prepared in accordance with the classification after the change is presented and analyzed.

Consolidated revenue for the six-month period ended September 30, 2021 was 502.6 billion yen, up 2.3% from the previous corresponding period, due to the increases in revenue in security services, fire protection services, medical services and insurance services, despite the effect of the decrease in revenue by 8.2 billion yen owing to the exclusion of Secom Home Life Co., Ltd. and its subsidiary from the scope of consolidation in December 2020. Consolidated operating profit increased by 17.2% to 71.1 billion yen, attributable to the effect of increases in operating profit in security services, fire protection services and insurance services. Consolidated ordinary profit increased by 30.0% to 76.9 billion yen, mainly due to the recognition of net gains of 1.5 billion yen on private equity investment in the U.S. etc. in the six-

month period ended September 30, 2021, compared with net losses of 4.4 billion yen in the previous corresponding period, in non-operating income/expenses. Consolidated net income attributable to owners of the parent increased by 48.4% to 48.0 billion yen. For the six-month period ended September 30, 2021, operating profit, 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 1.3% to 275.4 billion yen, mainly due to the brisk sales of on-line security systems for commercial and residential use, as well as the increase in revenue in static guard services, despite the effect of the decrease in revenue by 3.3 billion yen owing to the exclusion of a subsidiary of Secom Home Life Co., Ltd. from the scope of consolidation. Operating profit rose by 6.0% to 58.9 billion yen.

In the fire protection services segment, revenue increased by 9.3% to 65.4 billion yen, mainly attributable to the increase in revenue in fire alarm systems provided by Nohmi Bosai Ltd. Operating profit was up by 57.6% to 4.5 billion yen, chiefly owing to the concentration of projects with high profitability. 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 3.4% to 36.2 billion yen, mainly due to the increases in sales of medical consumables and in revenue in Takshasila Hospitals Operating Pvt. Ltd., a general hospital operating company in India. Operating profit rose by 16.9% to 2.7 billion yen.

In the insurance services segment, revenue increased by 7.0% to 25.4 billion yen, mainly due to the firm increase in sales of MEDCOM, an unrestricted cancer treatment policy provided by Secom General Insurance Co., Ltd. Operating profit amounted to 4.6 billion yen, from operating loss of 1.6 billion yen in the previous corresponding period, largely attributable to the recognition of reversal of policy reserve and the decrease in losses from major disasters.

In the geospatial information services segment, revenue increased by 7 million yen to 22.8 billion yen. Operating loss was 0.2 billion yen, from operating profit of 0.5 billion yen in the previous corresponding period, mainly attributable to the reversal of the provision for loss on construction contracts of large-scale projects in the international division in the previous corresponding period, the inclusion of head office relocation expenses and the rise in personnel expenses resulting from an increase in the number of employees. 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 3.3% to 56.0 billion yen, chiefly owing to the increases in revenue in data center business and TMJ, Inc., a provider of BPO services including contact centers and back office services. Operating profit was down by 5.6% to 6.2 billion yen, largely attributable to the increases in cost ratio and in selling, general and administrative expenses.

In the other services segment, revenue decreased by 10.2% to 21.1 billion yen, mainly due to the effect of the decrease in revenue by 4.8 billion yen owing to the exclusion of Secom Home Life Co., Ltd. from the scope of consolidation. Operating profit rose by 12.0% to 2.8 billion yen.

(2) Qualitative Information Regarding Consolidated Financial Position

(i) Consolidated Balance Sheets

Total assets as of September 30, 2021 amounted to 1,837.8 billion yen, 1.4% or 26.2 billion yen lower than that at the end of the previous fiscal year. Total current assets, at 914.5 billion yen, were down 2.9% or 27.5 billion yen. This was largely attributable to the decrease in notes and accounts receivables - trade and contract assets by 20.4% or 27.1 billion yen to 105.7 billion yen. Total fixed assets, at 923.3 billion yen, were up 0.1% or 1.2 billion yen from the end of the previous fiscal year. This was mainly attributable to the increase in investment securities by 3.7% or 9.9 billion yen to 282.1 billion yen, despite the decrease in other of investments and others by 14.3% or 7.6 billion yen to 45.9 billion yen due to the decrease in long-term prepaid expenses.

Total liabilities amounted to 606.3 billion yen, 4.4% or 28.0 billion yen lower than that at the end of the previous fiscal year. Total current liabilities amounted to 326.8 billion yen, down 9.5% or 34.2 billion yen, owing to the decreases in bank loans by 25.5% or 8.6 billion yen to 25.1 billion yen, notes and accounts payable, trade by 19.8% or 8.4 billion yen to 34.3 billion yen, payables - other by 16.8% or 7.0 billion yen to 35.1 billion yen and accrued income taxes by 37.9% or 4.7 billion yen to 7.8 billion yen. Long-term liabilities increased by 2.3% or 6.2 billion yen to 279.4 billion yen, owing to the recognition of long-term deferred revenue of 16.7 billion yen, despite the decrease in guarantee deposits received by 23.2% or 7.1 billion yen to 23.5 billion yen.

Total net assets amounted to 1,231.5 billion yen, 0.1% or 1.7 billion yen higher than that at the end of the previous fiscal year, mainly due to the increases in retained earnings by 1.9% or 18.7 billion yen and foreign currency translation adjustments by 42.5% or 7.2 billion yen, despite the decreases in capital surplus by 14.1% or 11.5 billion yen and noncontrolling interests by 8.9% or 13.1 billion yen.

(ii) Consolidated Cash Flows

(Cash flows from operating activities)

Net cash provided by operating activities for the six-month period ended September 30, 2021 amounted 95.3 billion yen; 109.9 billion yen in the previous corresponding period. The major factors of cash increase were income before income taxes of 77.0 billion yen, the decrease in trade receivables and contract assets of 35.2 billion yen and depreciation and amortization of 29.7 billion yen. The major factors of cash decrease were income tax paid of 23.1 billion yen and the decrease in accounts payable of 15.2 billion yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 34.1 billion yen; 33.6 billion yen in the previous corresponding period. The major factors of cash decrease were payments for purchases of tangible assets, including security equipment and control stations of 29.4 billion yen and payments for purchases of investment securities of 12.0 billion yen. The major factor of cash increase was proceeds from sales and redemptions of investment securities of 9.2 billion yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 58.4 billion yen; 33.4 billion yen in the previous corresponding period. The major factors of cash decrease were purchase of shares of subsidiaries not resulting in change in scope of consolidation of 27.4 billion yen, dividends paid of 18.5 billion yen and the decrease in bank loans, net of 9.1 billion yen.

As a result, cash and cash equivalents at the end of the six-month period ended September 30, 2021 was 493.8 billion yen, 3.8 billion higher than that at the end of the previous fiscal year.

(3) Qualitative Information Regarding Consolidated Financial Projections

The consolidated financial results for the six-month period ended September 30, 2021 exceeded the initial projections due to the steady growth of security services, fire protection services and insurance services, among others. As a result, operating profit, ordinary profit and net income attributable to owners of the parent reached a record-high. Although the projections for the fiscal year ending March 31, 2022 have not been changed from the figures announced on May 13, 2021 at the moment, record-high profits for the fiscal year have come within reach as are the financial results for the six-month period ended September 30, 2021. Any revisions in the projections that we deem necessary will be disclosed promptly, considering the business environment and our performance trends in the future.

The interim dividends with a record date of September 30, 2021 are changed to 90 yen per share, 5 yen higher than the projection to be 85 yen per share. As a result, the dividends for this fiscal year are planned to be 180 yen per share. Please refer to the Notice Concerning Distribution of Interim Dividends from Surplus announced on November 10, 2021 for further information.

(Notes for financial projections)

Projections for the consolidated financial results for the fiscal year ending March 31, 2022, 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, 2021	September 30, 2021
ASSETS:		
Current assets:		
Cash on hand and in banks	499,247	502,965
Cash deposits for armored car services	138,889	135,220
Notes and accounts receivable, trade	132,886	—
Notes and accounts receivable - trade and contract assets	—	105,715
Due from subscribers	39,980	37,526
Short-term investments	21,579	23,935
Lease receivables and investment in leased assets	41,511	38,880
Merchandise and products	14,289	15,477
Real estate inventories	186	—
Work in process	4,880	4,919
Costs on uncompleted construction contracts	7,524	—
Raw materials and supplies	11,003	12,149
Short-term loans receivable	3,053	3,073
Other	28,714	36,479
Allowance for doubtful accounts	(1,715)	(1,839)
Total current assets	942,033	914,505
Fixed assets:		
Tangible assets:		
Buildings and improvements, net	152,770	153,162
Security equipment and control stations, net	74,704	76,025
Land	120,876	123,958
Other, net	43,424	40,753
Total tangible assets	391,775	393,900
Intangible assets	120,277	116,519
Investments and others:		
Investment securities	272,123	282,104
Long-term loans receivable	33,301	31,069
Net defined benefit asset	39,532	41,195
Deferred income taxes	25,085	26,185
Other	53,588	45,948
Allowance for doubtful accounts	(13,538)	(13,532)
Total investments and others	410,093	412,970
Total fixed assets	922,145	923,390
Total assets	1,864,179	1,837,896

(1) Consolidated Balance Sheets (Continued)

	(In millions of yen)	
	March 31, 2021	September 30, 2021
LIABILITIES:		
Current liabilities:		
Notes and accounts payable, trade	42,858	34,360
Bank loans	33,806	25,179
Current portion of straight bonds	439	414
Lease obligations	4,730	4,745
Payables - other	42,215	35,125
Accrued income taxes	23,440	21,183
Accrued consumption taxes	12,652	7,854
Accrued expenses	7,828	7,571
Deposits received for armored car services	119,334	118,364
Deferred revenue	30,192	38,887
Accrued bonuses	18,298	17,182
Provision for losses on construction contracts	1,820	1,889
Other	23,488	14,103
Total current liabilities	361,106	326,863
Long-term liabilities:		
Straight bonds	3,899	3,694
Long-term loans	10,444	11,037
Lease obligations	12,854	12,755
Guarantee deposits received	30,694	23,562
Deferred income taxes	7,314	6,488
Accrued retirement benefits for directors and audit and supervisory board members	793	791
Net defined benefit liability	22,098	22,041
Long-term deferred revenue	—	16,797
Investment deposits by policyholders, unearned premiums and other insurance liabilities	181,014	178,086
Other	4,134	4,199
Total long-term liabilities	273,248	279,454
Total liabilities	634,355	606,317
NET ASSETS:		
Shareholders' equity:		
Common stock	66,410	66,419
Capital surplus	81,801	70,283
Retained earnings	998,405	1,017,150
Common stock in treasury, at cost	(73,785)	(73,788)
Total shareholders' equity	1,072,832	1,080,064
Accumulated other comprehensive income (losses):		
Unrealized gains on securities	22,122	23,081
Deferred losses on hedges	(11)	(8)
Foreign currency translation adjustments	(17,011)	(9,789)
Remeasurements of defined benefit plans, net of taxes	4,247	3,716
Total accumulated other comprehensive income (losses)	9,346	16,999
Noncontrolling interests	147,645	134,515
Total net assets	1,229,824	1,231,578
Total liabilities and net assets	1,864,179	1,837,896

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

Consolidated Statements of Income

	(In millions of yen)	
	Six-month period ended September 30, 2020	Six-month period ended September 30, 2021
Revenue	491,202	502,658
Costs of revenue	335,690	336,774
Gross profit	155,512	165,883
Selling, general and administrative expenses	94,782	94,697
Operating profit	60,729	71,185
Non-operating income	5,669	7,908
Non-operating expenses	7,199	2,149
Ordinary profit	59,199	76,944
Extraordinary profit	165	698
Extraordinary losses	3,709	583
Income before income taxes	55,655	77,060
Income taxes - current	20,069	21,749
Income taxes - deferred	(1,007)	2,365
Total income taxes	19,062	24,114
Net income	36,593	52,945
Net income attributable to noncontrolling interests	4,232	4,931
Net income attributable to owners of the parent	32,360	48,013

Consolidated Statements of Comprehensive Income

	(In millions of yen)	
	Six-month period ended September 30, 2020	Six-month period ended September 30, 2021
Net income	36,593	52,945
Other comprehensive income (losses):		
Unrealized gains (losses) on securities	5,006	779
Foreign currency translation adjustments	(2,139)	5,670
Remeasurements of defined benefit plans, net of taxes	(220)	(481)
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	(1,402)	1,973
Total other comprehensive income (losses)	1,243	7,942
Comprehensive income	37,836	60,887
Comprehensive income attributable to:		
Owners of the parent company	33,596	55,666
Noncontrolling interests	4,240	5,221

(3) Consolidated Statements of Cash Flows

(In millions of yen)

	Six-month period ended September 30, 2020	Six-month period ended September 30, 2021
Cash flows from operating activities:		
Income before income taxes	55,655	77,060
Depreciation and amortization	29,175	29,783
Amortization of goodwill	5,923	2,850
Net (gains) losses from investment in affiliated companies accounted for under the equity method	(3,117)	(3,846)
Increase (decrease) in allowance for doubtful accounts	269	50
Increase/decrease in net defined benefit liability and asset	(1,826)	(2,431)
Interest and dividend income	(2,228)	(2,166)
Interest expenses	426	375
Exchange (gains) losses	370	(21)
Net (gains) losses on sales and disposal of fixed assets	756	986
Net (gains) losses on sales of investment securities	(324)	(649)
Net (gains) losses on revaluation of investment securities	194	192
Net (gains) losses on sales of investment securities in subsidiaries and affiliates	199	—
Write-down on real estate inventories	13	—
Net (gains) losses on private equity investment	4,424	(1,563)
(Increase) decrease in notes and accounts receivable, trade, and due from subscribers	50,620	—
(Increase) decrease in trade receivables and contract assets	—	35,260
(Increase) decrease in inventories	(1,940)	(1,341)
Increase (decrease) in accounts payable	(20,595)	(15,259)
Increase (decrease) in accrued consumption taxes	(2,850)	(5,329)
Increase (decrease) in deferred revenue	229	(383)
Increase (decrease) in investment deposits by policyholders, unearned premiums and other insurance liabilities	6,739	(2,928)
Increase/decrease in cash deposits/deposits received for armored car services	3,501	2,699
Other	2,269	(2,179)
Subtotal	127,886	111,158
Interest and dividend received	6,561	7,736
Interest paid	(371)	(381)
Income taxes paid	(24,104)	(23,115)
Net cash provided by (used in) operating activities	109,972	95,397

(3) Consolidated Statements of Cash Flows (Continued)

(In millions of yen)

	Six-month period ended September 30, 2020	Six-month period ended September 30, 2021
Cash flows from investing activities:		
(Increase) decrease in time deposits, net	(664)	554
(Increase) decrease in short-term investments, net	9,426	—
Payments for purchases of tangible assets	(22,755)	(29,468)
Proceeds from sales of tangible assets	222	367
Payments for purchases of intangible assets	(5,413)	(4,552)
Payments for purchases of investment securities	(31,242)	(12,091)
Proceeds from sales and redemptions of investment securities	24,144	9,231
Payments for acquisitions of affiliates	(0)	(5)
(Increase) decrease in short-term loans receivable, net	89	25
Payments for long-term loans receivable	(5,367)	(298)
Proceeds from long-term loans receivable	2,581	2,512
Acquisitions of subsidiaries accompanied with changes in scope of consolidation	(4,523)	—
Divestitures of subsidiaries accompanied with changes in scope of consolidation	(130)	—
Other	(61)	(463)
Net cash provided by (used in) investing activities	(33,693)	(34,187)
Cash flows from financing activities:		
Increase (decrease) in bank loans, net	(10,447)	(9,158)
Proceeds from long-term loans	1,736	2,703
Repayments of long-term loans	(1,419)	(1,498)
Repayments of lease obligations	(2,442)	(2,455)
Proceeds from issuance of straight bonds	191	—
Payments for redemption of straight bonds	(1,135)	(229)
Proceeds from stock issuance to noncontrolling shareholders	304	71
Dividends paid	(18,552)	(18,552)
Dividends paid for noncontrolling shareholders	(1,655)	(1,879)
(Increase) decrease in treasury stocks, net	(3)	(3)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(0)	(27,444)
Net cash provided by (used in) financing activities	(33,425)	(58,446)
Effect of exchange rate changes on cash and cash equivalents	(701)	1,069
Net increase (decrease) in cash and cash equivalents	42,151	3,832
Cash and cash equivalents at beginning of the period	406,479	490,039
Cash and cash equivalents at end of the period	448,631	493,872

(4)Notes Regarding the Consolidated Quarterly Financial Statement

[Notes Regarding the Assumption of Going Concern]

Not applicable.

[Notes in the Event of Significant Changes in the Amount of Shareholders' Equity]

On July 15, 2021, the Company acquired additional shares of a consolidated subsidiary Secom Joshinetsu Co., Ltd. As a result, capital surplus amounted to 70,283 million yen as of September 30, 2021, a decrease of 11,518 million yen during the six-month period ended September 30, 2021.

[Changes in Accounting Policies]

(Application of Accounting Standard for Revenue Recognition, etc.)

From the beginning of the three-month period ended June 30, 2021, we have applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020; hereinafter, “Accounting Standard for Revenue Recognition”), etc. Accordingly, we recognize revenue to describe the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The major changes due to the application of Accounting Standard for Revenue Recognition etc. are as follows:

(1) Initial lump sum revenue related to service contracts, etc.

With respect to the initial lump-sum revenue from some service contracts, etc., the Company previously recognized revenue at the time of acceptance, but has changed to recognize the revenue over a certain period when the customer receives the benefits as performance obligations are satisfied.

(2) Revenue recognition related to construction contracts

For construction contracts, the Company previously applied the percentage-of-completion method when the outcome of the construction activity is deemed certain. However, when control over goods or services is to be transferred to the customer over a certain period of time, the Company has changed the method to one in which revenue is recognized over a certain period of time as the performance obligation to transfer the goods or services to the customer is satisfied. The Company measures the degree of progress toward satisfaction of performance obligations based on the percentage of construction costs incurred by the end of each reporting period to the total construction costs expected to be incurred. In addition, when the degree of progress toward satisfying the performance obligation cannot be reasonably estimated in the early stages of a contract but the costs to be incurred are expected to be recovered, the Company recognizes revenue under the cost recovery method.

The application of the Accounting Standard for the Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year, was added to or subtracted from the beginning balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy has been applied from the beginning balance. In addition, the Company has applied the method prescribed in proviso (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition. The cumulative effect, after accounting procedures for contract changes made prior to the beginning of the first quarter of the current fiscal year based on the contract terms after reflecting all contract changes, was added to or subtracted from the beginning balance of retained earnings of the first quarter of the current fiscal year.

As a result, for the six-month period ended September 30, 2021, revenue increased by 1,064 million yen, cost of revenue increased by 1,509 million yen, operating profit decreased by 444 million yen, non-

operating expenses decreased by 237 million yen, ordinary profit and income before income taxes decreased by 206 million yen, respectively. The balance of retained earnings at the beginning of current period decreased by 10,717 million yen.

Due to the application of the Revenue Recognition Accounting Standard, “Notes and accounts receivable, trade,” which was a part of “Current assets” in the consolidated balance sheet for the previous fiscal year, is included in “Notes and accounts receivable – trade and contract assets” from the first quarter of the current fiscal year. In addition, a part of “Guarantee deposits received” which was included in “Long-term liabilities” is included in “Long-term deferred revenue” from the first quarter of the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the results for the previous fiscal years are not restated using the new presentation method. Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of “Accounting Standards for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), information on breakdown of revenue arising from contracts with customers for the first quarter of the previous fiscal year is not shown.

(Application of Accounting Standard for Fair Value Measurement, etc.)

From the beginning of the three-month period ended June 30, 2021, we have applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019; hereinafter, “Fair Value Accounting Standards”), etc. In accordance with the transitional treatment set forth in Paragraph 19 of Fair Value Accounting Standards and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), we have applied prospectively new accounting policies prescribed by Fair Value Accounting Standards, etc. Consequently, from the three-month period ended June 30, 2021, we have adopted the valuation method based on the market price on the closing date of stocks and beneficiary securities with market value that are among other securities, from the previous method that was based on the average market price over a one-month period prior to the closing date.

[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, 2021.

Reference

(Additional Information in the Annual Securities Report for the year ended March 31, 2021)

“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. Six-month Period Ended September 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	271,880	59,850	35,058	23,813	22,859
Intersegment	5,674	1,450	105	1,616	109
Subtotal	277,555	61,300	35,164	25,430	22,969
Segment profit (loss)	55,562	2,889	2,319	(1,683)	568

	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	54,195	467,659	23,543	491,202	-	491,202
Intersegment	5,278	14,235	620	14,855	(14,855)	-
Subtotal	59,474	481,894	24,164	506,058	(14,855)	491,202
Segment profit (loss)	6,620	66,277	2,532	68,809	(8,079)	60,729

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 (252) million yen and corporate expenses not allocated to each reportable segment of 8,331 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. Six-month Period Ended September 30, 2021

1. Information about Amounts of Revenue and Profit or Loss by Reportable Segments and Information on Breakdown of Revenue

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
Revenue:					
Revenue from security contracts	239,410	-	-	-	-
Other	31,592	65,410	32,610	313	22,867
Revenue from contracts with customers	271,003	65,410	32,610	313	22,867
Other revenue	4,486	-	3,649	25,169	-
Customers	275,489	65,410	36,259	25,482	22,867
Intersegment	5,741	1,603	101	1,616	97
Subtotal	281,231	67,014	36,361	27,098	22,964
Segment profit(loss)	58,913	4,554	2,711	4,609	(242)

	Reportable segments		Other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	BPO and ICT services	Subtotal				
Revenue:						
Revenue from security contracts	-	239,410	-	239,410	-	239,410
Other	56,005	208,799	12,718	221,518	-	221,518
Revenue from contracts with customers	56,005	448,209	12,718	460,928	-	460,928
Other revenue	-	33,305	8,424	41,730	-	41,730
Customers	56,005	481,515	21,143	502,658	-	502,658
Intersegment	3,867	13,027	606	13,633	(13,633)	-
Subtotal	59,872	494,542	21,749	516,292	(13,633)	502,658
Segment profit(loss)	6,249	76,794	2,835	79,630	(8,444)	71,185

Note 1: Other services is an operating segment not designated as a reportable segment, and comprises real estate leasing, construction and installation services, etc.

Note 2: Adjustment of segment profit/ (loss) includes intersegment elimination of (186) million yen and corporate expenses not allocated to each reportable segment of 8,631 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 quarterly consolidated statements of income.

2. Events related to Changes in Reportable Segments, etc.

In December 2020, we transferred all of the issued shares of Secom Home Life Co., Ltd., which had been a consolidated subsidiary, and excluded it from the scope of consolidation. As a result, the segment name was changed from "real estate and other services" to "other services" from the three-month period ended June 30, 2021. There is no change in the segment classification as a result of this change regarding the segment name noted above.

Effective from the three-month period ended June 30, 2021, we have reviewed the segment classifications from the perspective of similarity and relevance of business activities in order to provide more appropriate information, and have reclassified some businesses previously included in the security services segment to the BPO and ICT services segment and the other services segment. The segment information for the first quarter of the previous fiscal year is based on the classification after the change.

Since we have applied the Accounting Standard for Revenue Recognition, etc. effective from the beginning of the three-month period ended June 30, 2021 and changed the accounting method for revenue recognition, as stated in the “Changes in accounting policies” the method for calculating profit or loss in the business segments are changed as well. As a result of this change, compared with the previous method, revenue in the security services segment for the six-month period ended September 30, 2021 decreased by 204 million yen and segment profit decreased by 641 million yen, while revenue in the fire protection services segment increased by 837 million yen and segment profit decreased by 35 million yen.

[Significant Subsequent Events]

(Wholly owning a Subsidiary through the Share Exchange)

On August 6, 2021, the Company resolved by the meeting of its board of directors to implement a share exchange (the “Share Exchange”) in which the Company will become a wholly owning parent company in share exchange and SECOM Joshinetsu Co., Ltd. (“Secom Joshinetsu”) will become a wholly owned subsidiary in share exchange and the companies have executed a share exchange agreement pertaining to the Share Exchange between the companies.

On October 28, 2021, prior to the effective date of the Share Exchange (November 1, 2021), the common shares of Secom Joshinetsu were delisted from the Second Section of Tokyo Stock Exchange, Inc. (the last trading day was October 27, 2021).

On November 1, 2021, the Share Exchange was implemented and Secom Joshinetsu became a wholly owned subsidiary of the Company.

1. The Outline of the Transaction

(1) The Name of the Combined Company and its Business

The name of the combined company: The consolidated subsidiary of the Company, Secom Joshinetsu Co., Ltd.

Description of the business : Security business centering on on-line security system and other business

(2) Date of Business Combination

November 1, 2021

(3) Method of Business Combination

Share Exchange, in which the Company was a wholly owning parent company in share exchange and Secom Joshinetsu was a wholly owned subsidiary in share exchange

(4) The Name after Business Combination

Not changed

(5) Other Matters Relating to the Transactions

Through the tender offer, the Company implemented from May 31, 2021 to July 9, 2021, and the Share Exchange, the Company made Secom Joshinetsu a wholly owned subsidiary in order to

achieve quick and highly flexible decision-making through integration of the Company and Secom Joshinetsu, and concentrate necessary management resource on the security service business along with strong coordination with Secom Joshinetsu, leading to the achievement of the sustainable development and pursuing further enhancement of both companies' corporate values.

2. Summary of Accounting Treatment

Based on the “Accounting Standards for Business Combinations” (ASBJ Statement No.21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures” (ASBJ Statement No.10, January 16, 2019), the Share Exchange was accounted for as a transaction under common control, etc. The Company implemented accounting treatment thereunder.

3. Matters Related to the Additional Acquisition of Shares of the Subsidiary

(1) Cost of Acquisition and Breakdown by Type of Consideration

<u>Consideration for the acquisition</u>	<u>Common shares of the Company</u>	<u>9,021 million yen</u>
Cost of Acquisition		9,021 million yen

(2) Allotment Ratio in the Share Exchange

	SECOM (wholly owning parent company in share exchange)	Secom Joshinetsu (wholly owned subsidiary in share exchange)
Allotment ratio pertaining to the Share Exchange	1	0.74

The Company allotted 0.74 common shares per 1 common share of Secom Joshinetsu.

(3) Shares Allotted by the Share Exchange

The Company allotted 1,138,992 common shares in the Share Exchange.

Upon the allotment, the Company allotted 1,138,992 treasury shares it owned.

(4) Calculation Method of Share Exchange Ratio

Based on the valuation report for the Share Exchange by SMBC Nikko Securities Inc. as the Company's financial advisor and a third-party valuation organization as well as advice from URYU & ITOGA as its legal advisor, both of whom being respectively independent from the Company and Secom Joshinetsu, and after repeated discussions and negotiations with Secom Joshinetsu, it was decided that the Share Exchange would not harm the interests of the shareholders of the Company and Secom Joshinetsu, and we came to the conclusion that it is appropriate to carry out the Share Exchange with the Share Exchange ratio.