



Notice of Convocation

The 53rd Ordinary General Meeting of Shareholders

The following is an English translation of the Notice of Convocation of the 53rd Ordinary General Meeting of Shareholders of SECOM CO., LTD. to be held on June 25, 2014, except for the translation of the INSTRUCTION ON ONLINE VOTING and the ACCESS MAP FOR THE PLACE OF THE MEETING in the Notice. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

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(Note) This Table of Contents is for this abridged English translation only, and not the same as that in the original Japanese documents.

**Notice of Convocation of
The 53rd Ordinary General Meeting of Shareholders**

Dear Shareholders:

You are cordially invited to attend the 53rd Ordinary General Meeting of Shareholders of SECOM CO., LTD. (the "Company").

If you are unable to attend the aforesaid meeting, you can exercise your voting rights through either of the methods stated below. The Company respectfully requests you to study the "Reference Document Concerning the General Meeting of Shareholders" below and exercise your voting rights on or before 6:00 p.m. (JST) June 24, 2014 (Tuesday):

[In case of exercising voting rights by mail]

Please indicate on the Voting Rights Exercise Form enclosed herewith your approval or disapproval to the proposals on the agenda, and return the form to the Company by mail on or before the time limit stated above.

[In case of exercising voting rights via the Internet]

Please access the website for the exercise of voting rights (<http://www.evotep.jp/>), using the log-in ID and temporary password which are shown on the Voting Rights Exercise Form. After logging in, please indicate whether you approve or disapprove the items on the agenda by following the instructions on the display screen by the time limit stated above.

Yours very truly,

SECOM CO., LTD.

5-1, Jingumae 1-chome, Shibuya-ku,
Tokyo, Japan

By: HIROSHI ITO

President and Representative Director

(Note) Please note that shareholders with addresses outside Japan may not themselves use these voting procedures. For these shareholders please consult their custodian in Japan as to the exercise of voting rights.

[English Translation]

PARTICULARS

1. Date and Time of the Meeting:

Wednesday, June 25, 2014 at 10:00 a.m.

2. Place of the Meeting:

Bersarle Hanzomon, Sumitomo Fudosan Hanzomon-Ekimae Building 2F,
6-4, Koujimachi 1-chome, Chiyoda-ku, Tokyo

3. Matters to be dealt with at the Meeting:

Matters to be Reported:

1. Report on the Business Report, the Consolidated Financial Statements for the 53rd Fiscal Year (from April 1, 2013 to March 31, 2014) and the Results on the Audits of Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board.
2. Report on the Non-Consolidated Financial Statements for the 53rd Fiscal Year (April 1, 2013 to March 31, 2014).

Matters to be Resolved upon:

- | | |
|---------------------------------|---|
| First Item of Business: | Proposed Distribution of Surplus |
| Second Item of Business: | Partial Amendments to the Articles of Incorporation |
| Third Item of Business: | Election of Eleven (11) Directors |

4. Matters related to Exercise of Voting Rights:

- 1) In the event that a shareholder wants to exercise non-uniform voting, he/she shall notify the Company to make non-uniform voting and the reason thereof in writing three (3) days prior to the date of the General Meeting of Shareholders.
- 2) In the event that a shareholder exercises voting rights both via return mail (Voting Rights Exercise Form) and the Internet, the Company will consider the exercise of voting rights via the Internet to be valid.
- 3) In the event that a shareholder exercises voting rights via the Internet more than once, the Company will consider the last exercise of voting rights to be valid.

(Internet disclosure)

Following matters are made available on the Company's website pursuant to the relevant laws and ordinances, and Article 16 of the Articles of Incorporation of the Company and are not included in the Attached Documents.

- 1) "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements

[English Translation]

- 2) “Notes to Non-Consolidated Financial Statements” in the Non-Consolidated Financial Statements
The Company’s Website: <http://www.secom.co.jp/english/ir/>
(on the “Investor Relations: Stocks and Bonds” section)

The Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Accounting Auditor and the Audit & Supervisory Board consist of each document attached to the Notice of Convocation of the Ordinary General Meeting of Shareholders, as well as the Notes to Consolidated Financial Statements and the Notes to Non-Consolidated Financial Statements available on the Company’s Website.

(Note)

If you plan to attend the Meeting, please submit the enclosed Voting Rights Exercise Form to the receptionist at the Meeting.

(Notice)

If there are any amendments to the contents of the Reference Document Concerning the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements, the Company will announce such amendments on the “Investor Relations: Stocks and Bonds” section of the Company’s website (<http://www.secom.co.jp/english/ir/>).

Reference Document Concerning the General Meeting of Shareholders

Proposal and Reference Items

First Item of Business: Proposed Distribution of Surplus

The Company considers the return of profit to shareholders as one of the important managerial issues, and the Company has determined the dividend payout ratio on a consolidated basis and the level of internal reserves after making an overall judgment on the expansion of the Company's business and trend of future revenues and profits of the Company on a consolidated basis while considering the Company's basic policy that ensures the payment of continual and steady dividends. At present, The Company has made it a basic rule to distribute a dividend once a year as the year-end dividend, which is determined by the General Meeting of Shareholders. Furthermore, the Company will utilize internal reserves for investments required for increased new customers, research and development and investments and the like for strategic business expansion so that the Company will exert its efforts to strengthen the corporate structure and to expand its business.

Based on the aforesaid basic policy, to reward shareholders' continued support, it is proposed that dividend for the fiscal year under review be YEN 115 per share, an increase of YEN 10 per share from the previous fiscal year in which dividend was YEN 105 per share.

Matters related to the year-end dividend:

- (1) Kind of assets distributed:
Cash
- (2) Matter related to distribution of cash and total amount:
YEN 115 per share of common stock of the Company
The total amount: YEN 25,100,671,075
- (3) Effective date for distribution of surplus:
June 26, 2014

Second Item of Business: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

- (1) Amendment relating to management of the general meeting of shareholders and the Board of Directors

In the light of enabling the general meeting of shareholders and the Board of Directors to manage their operation flexibly, the provisions with respect to the person entitled to convene the general meeting of shareholders and the Board of Directors and chairman thereat are proposed to be amended.

- (2) Amendment to introduce interim dividend

In order to increase opportunities for making return of profit to shareholders, it is proposed to render a necessary amendment to enable for the Company to pay a part of surplus ("interim dividend") upon resolution of the Board of Directors based on Article 454, Paragraph 5 of

[English Translation]

the Companies Act.

The number of the Articles following the insertion shall be accordingly renumbered.

2. Details of amendment

The details of amendment are as follows:

(The underlined parts are changed parts.)

Current Articles of Incorporation	Proposed changes
<p>(Person to Convene General Meetings of Shareholders)</p> <p>Article 14</p> <p>Except as otherwise provided by laws and regulations, the general meeting of shareholders shall be convened by the President and Director by resolution of the Board of Directors.</p> <p>2. When the President and Director is prevented from so acting, one of the other Directors selected in accordance with the order of priority determined in advance by a resolution of the Board of Directors shall take his/her place.</p>	<p>(Person to Convene General Meetings of Shareholders)</p> <p>Article 14</p> <p>Except as otherwise provided by laws and regulations, the general meeting of shareholders shall be convened by <u>the Chairman and Director or the</u> President and Director by resolution of the Board of Directors.</p> <p>2. When <u>both of the Chairman and Director and</u> the President and Director are prevented from so acting, one of the other Directors selected in accordance with the order of priority determined in advance by a resolution of the Board of Directors shall take his/her place.</p>
<p>(Chairman of General Meeting of Shareholders)</p> <p>Article 15</p> <p>The President and Director shall act as chairman at the general meeting of shareholders.</p>	<p>(Chairman of General Meeting of Shareholders)</p> <p>Article 15</p> <p><u>A Director who was determined in advance by a resolution of the Board of Directors from among the</u> <u>Chairman and Director and</u> the President and Director shall act as chairman at the general meeting of shareholders.</p>

Current Articles of Incorporation	Proposed changes
<p>2. If the President and Director is prevented from so acting, one of the other Directors selected in accordance with the order of priority determined in advance by a resolution of the Board of Directors shall take his/her place.</p> <p>(Person to Convene Meetings of the Board of Directors)</p> <p>Article 26</p> <p>Unless otherwise provided for by laws and regulations, the President and Director shall convene meetings of the Board of Directors.</p> <p>2. When the President and Director is unable to act, one of the other Directors selected in accordance with the order of priority determined in advance by a resolution of the Board of Directors shall take his/her place.</p> <p>(Chairman)</p> <p>Article 28</p> <p>The President and Director shall act as the chairman at meetings of the Board of Directors.</p> <p>2. When the President and Director is unable to act as the chairman, one of the other Directors selected in accordance with the order of priority determined in advance by a resolution of the Board of Directors shall take his/her place.</p>	<p>2. If <u>both of the Chairman and Director</u> and the President and Director are prevented from so acting, one of the other Directors selected in accordance with the order of priority determined in advance by a resolution of the Board of Directors shall take his/her place.</p> <p>(Person to Convene Meetings of the Board of Directors)</p> <p>Article 26</p> <p>Unless otherwise provided for by laws and regulations, <u>the Chairman and Director or</u> the President and Director shall convene meetings of the Board of Directors.</p> <p>2. When <u>both of the Chairman and Director</u> and the President and Director are unable to act, one of the other Directors selected in accordance with the order of priority determined in advance by a resolution of the Board of Directors shall take his/her place.</p> <p>(Chairman)</p> <p>Article 28</p> <p><u>The Chairman and Director or</u> the President and Director shall act as the chairman at meetings of the Board of Directors.</p> <p>2. When <u>both of the Chairman and Director</u> and the President and Director are unable to act as the chairman, one of the other Directors selected in accordance with the order of priority determined in advance by a resolution of the Board of Directors shall take his/her place.</p>

Current Articles of Incorporation	Proposed changes
<p>(Record date for Distribution of Surplus) Article 48</p> <p>The record date of the Company for distribution of year-end dividend shall be March 31 each year.</p> <p style="padding-left: 40px;">(Newly established)</p> <p style="padding-left: 40px;">(Newly established)</p> <p>(Prescription Period of Dividends) Article 49</p> <p>(The contents of the Articles are intentionally omitted.)</p>	<p>(Record date for Distribution of Surplus) Article 48</p> <p>The record date of the Company for distribution of year-end dividend shall be March 31 each year.</p> <p><u>2. In addition to above, the Company may distribute surplus by fixing the specified record date.</u></p> <p><u>(Interim dividend)</u> <u>Article 49</u></p> <p><u>The Company may distribute interim dividend with the record date of September 30 each year upon resolution of the Board of Directors.</u></p> <p>(Prescription Period of Dividends) Article <u>50</u></p> <p>(The numerical numbers of all the Articles hereafter shall be increased by one (1), and the contents of the Articles are unaffected.)</p>

Third Item of Business: Election of Eleven (11) Directors

The term of office of all of the eleven (11) Directors will expire at the close of this Meeting. Eleven (11) Directors are proposed to be elected.

The candidates are as follows:

	Name (Date of Birth)	Profile (Brief history, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed , if any)	The Number of Shares Held
1	Makoto Iida (April 1, 1933)	<p>Jul 1962 President and Representative Director (Founder)</p> <p>Feb 1976 Chairman and Representative Director</p> <p>Jun 1997 Supreme Advisor and Director (currently)</p>	4,320,500

	Name (Date of Birth)	Profile (Brief history, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed , if any)	The Number of Shares Held
2	Shuji Maeda (September 27, 1952) *	Jan 1981 Joined SECOM Co., Ltd. Jun 1997 Director Jun 2000 Executive Director Jun 2004 Director and Managing Executive Officer Apr 2005 Executive Director Jun 2009 Executive Vice President and Director Jan 2010 President and Representative Director Jun 2014 Chairman and Representative Director (currently)	13,300
3	Hiroshi Ito (February 7, 1952) *	Feb 1979 Joined SECOM Co., Ltd. May 1989 Executive Director, Secom Mie Co., Ltd. Jun 2000 Director (up to Jun 2004) Jun 2003 President and Representative Director, Secom Information System Co., Ltd. (presently Secom Trust Systems Co., Ltd.) Jun 2004 Executive Officer Jun 2009 Executive Director Jun 2014 President and Representative Director (currently)	5,100
4	Yasuo Nakayama (November 1, 1952) *	Jul 2003 Branch Manager, Nagoya Branch, The Bank of Japan Jul 2005 Director-General, Secretariat of the Policy Board, The Bank of Japan Apr 2007 Personnel and Corporate Affairs Department, The Bank of Japan May 2007 Advisor, SECOM Co., Ltd. Jun 2007 Executive Director (currently) (Important position of other organization concurrently assumed) Outside Audit & Supervisory Board Member, Secom General Insurance Co., Ltd.	3,500
5	Kazuaki Anzai (January 14, 1952) *	May 2003 Branch Manager, Kanda Branch, Mizuho Bank, Ltd. Jul 2005 Associate General Manager, Tokyo Regional Headquarter, SECOM Co., Ltd. Sep 2005 Deputy General Manager, Corporate Development Division Jun 2006 Executive Officer (up to Jun 2008) Mar 2008 Executive Director, Secom Alpha Co., Ltd. Jun 2011 Senior Executive Director, Secom Alpha Co., Ltd. Sep 2011 Assistant to President in charge of special tasks Jan 2012 Managing Executive Officer Jun 2012 Executive Director (currently) (Important position of other organization concurrently assumed) Outside Director, Nohmi Bosai Ltd. Outside Director, Toyo Tec Co., Ltd.	484

	Name (Date of Birth)	Profile (Brief history, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed , if any)	The Number of Shares Held
6	Junzo Nakayama (February 24, 1958) *	Mar 1980 Joined SECOM Co., Ltd. Nov 1999 President and Representative Director, Japan Image Communications Co., Ltd.(currently Turner Japan K. K.) Dec 2009 Associate General Manager, Strategic Planning Office Jun 2010 Associate General Manager, Assistant to President in charge of special tasks Jan 2011 Deputy General Manager, Finance Division Jun 2012 Director and General Manager, Finance Division Jun 2014 Executive Director (currently)	1,000
7	Kenichi Furukawa (March 17, 1959) *	Mar 1982 Joined SECOM Co., Ltd. May 1999 Manager, Development Control Group, Development Center Apr 2006 General Manager, Development Strategic Group, Development Center Jan 2010 General Manager, Planning Department Jan 2012 Executive Officer Jun 2013 Director Jun 2014 Executive Director (currently)	1,000
8	Yasuyuki Yoshida (March 28, 1958) *	Mar 1980 Joined SECOM Co., Ltd. Feb 1997 Associate General Manager, Strategic Planning Division Sep 1998 Director, Toyo Fire and Marine Insurance Co., Ltd. (presently Secom General Insurance Co., Ltd.) Jun 2002 President and Representative Director, Secom General Insurance Co., Ltd. Apr 2010 Executive Officer (Strategic Planning Office), SECOM Co., Ltd. Jun 2010 Outside Audit & Supervisory Board Member, Secom Joshinetsu Co., Ltd. Jun 2010 Group companies supervisor (currently) Jun 2012 Director (currently)	1,700
9	Tatsuro Fuse (September 9, 1957) *	Mar 1982 Joined SECOM Co., Ltd. Apr 2001 Manager, Project Development Department, Medical Division Mar 2002 Director, Secom Medical System Co., Ltd. May 2005 Executive Director, Secom Medical System Co., Ltd. Jun 2008 Senior Executive Director, Secom Medical System Co., Ltd. Jun 2009 President and Representative Director, Secom Medical System Co., Ltd. (currently) Apr 2010 Executive Officer in charge of medical business Jun 2013 Director (currently) (Important position of other organization concurrently assumed) President and Representative Director, Secom Medical System Co., Ltd.	2,800

	Name (Date of Birth)	Profile (Brief history, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed , if any)	The Number of Shares Held
10	Takaharu Hirose (October 25, 1944) <u>Outside Director</u>	Sep 1965 Founded Fuji Vending Co., Ltd., and assumed Representative Director Apr 1972 Founded Food & Beverage Vending Association, and assumed Chairman Apr 1987 Founded Japan Automatic Merchandising Association and assumed Chairman Apr 2003 Advisor and Director, GAIN Inc. May 2008 President and Representative Director, GAIN Inc. May 2011 Chairman and Representative Director, GAIN Inc. (currently) Jun 2013 Director (currently) (Important position of other organization concurrently assumed) Chairman and Representative Director, GAIN Inc.	0
11	Takashi Sawada (July 12, 1957) <u>Outside Director</u>	Apr 1981 Joined ITOCHU Corporation May 1997 Joined FAST RETAILING CO., LTD. Nov 1997 Executive Director, FAST RETAILING CO., LTD. Nov 1998 Executive Vice President and Director, FAST RETAILING CO., LTD. Jan 2003 President and Representative Director, KIACON Corporation Oct 2005 Representative Director, Revamp Corporation Feb 2011 President and Representative Director, Revamp Corporation (currently) Jun 2013 Director (currently) (Important position of other organization concurrently assumed) President and Representative Director, Revamp Corporation Outside Director, Nomura Research Institute, Ltd. Outside Director, Culture Convenience Club Co., Ltd.	200

(Notes)

1. There is no particular interest between the Company and each of the said candidates.
2. Candidates with * are Executive Officers currently in office.
3. Messrs. Takaharu Hirose and Takashi Sawada are candidates for Outside Directors. The designation of Messrs. Takaharu Hirose and Takashi Sawada as Independent Officers has filed with Tokyo Stock Exchange, Inc.
4. Reasons for Election of Candidates for Outside Directors
 - (1) Mr. Takaharu Hirose set up a venture engaging in soft drink vending machine industry during his college period, exerted effort to establish and manage the industry organization and contributed to develop the business and industry. He transferred to a research services company for the Internet in 2003 and has been pursuing business opportunities by activating research of enterprises by the Internet. The Company deems his rich experience accumulated through his career on corporate management and a high level of his insight to be reflected on the enforcement of management and enhancement of corporate

[English Translation]

- governance of the Company. Accordingly, the Company proposes to the shareholders to elect him as Outside Director continuously.
- (2) Mr. Takashi Sawada engaged in management of Fast Retailing Co., Ltd., and then established Revamp Corporation in 2005, since which he promoted various kinds of new businesses to be established and gave assistance and the like for management of enterprises. The Company deems his rich experience accumulated through his career on corporate management and a high level of his insight to be reflected on the enforcement of management and enhancement of corporate governance of the Company. Accordingly, the Company proposes to the shareholders to elect him as Outside Director continuously.
 5. The number of years during which Mr. Takaharu Hirose and Mr. Takashi Sawada are in the office of Outside Directors of the Company has been one (1) year at the close of this General Meeting of Shareholders.
 6. The Company has entered into, with each of Mr. Takaharu Hirose and Mr. Takashi Sawada, an agreement limiting their liabilities as prescribed by Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. The maximum amount of the liabilities under this agreement which they incur is equal to the lowest amount of liabilities stipulated in Article 425, Paragraph 1 of the Companies Act.

[Attached Documents]

Business Report (Fiscal Year Ended March 31, 2014)

I. Outline of the Group's Business

1. The Current Business Development and Results of Operations

During the fiscal year ended March 31, 2014 (“the current fiscal year”), Japanese economy has been gradually improving as shown in the progress of the depreciation of yen and rising share prices resulting from the governmental economic and monetary policy, the improvement of the corporate earnings, and the some signs of recovery in the employment and the individual income. Furthermore, the increase in consumer spending stimulated by last-minute demand prior to the consumption tax raise has contributed to the trend of economic recovery.

In this environment, we have been continuously trying to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind, with the aim of realizing our vision of the establishment of “Social System Industry”, a society where everyone can live safe and secure anytime and anywhere. To this end, we have made efforts to develop and provide high-grade products and services suited to customer needs in our security services segment, as well as in our fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services segment. We also pressed forward with efforts to apply the ALL SECOM concept, which emphasizes cooperation among our various independent businesses to strengthen the bond of the Group as a whole with a view to hastening our advance to growth. Furthermore, preparing for future Japanese society, we promote the effort to develop innovative services through ALL SECOM concept, in terms of key themes: super-aged society and disaster preparedness/business continuity planning (BCP)/environmental preservation, based on a foundation of our security services.

As a result, consolidated revenue for the current fiscal year increased by 7.4% to YEN 822.2 billion, compared with the previous fiscal year. Consolidated operating profit went up by 10.7% to YEN 120.0 billion. Consolidated ordinary profit increased by 11.5% to YEN 126.6 billion, mainly due to contribution by YEN 4.0 billion of net gains on private equity investment in the U.S., improving from YEN 2.3 billion in the previous period. Consolidated net income increased by 9.8% to YEN 69.8 billion. Consolidated revenue, consolidated operating profit, consolidated ordinary profit and consolidated net income reached a record-high.

(Millions of Yen)

	Revenue	Operating profit	Ordinary profit	Net income
Current fiscal year (FY2013)	822,228	120,018	126,677	69,876
Previous fiscal year (FY2012)	765,635	108,370	113,618	63,658

From the current fiscal year, information and communication related services segment, formerly included in information and communication related and other services segment, is separately reported. Also, real estate development and sales segment, previously reported separately, was included in real estate and other services segment accompanying with change of its name from information and communication related and other services segment. Furthermore, from the current fiscal year, construction and installation services, previously included in security

[English Translation]

services segment, is reclassified to real estate and other services segment. As such the prior year's figures in the following prior year comparison are also reclassified to conform to these changes.

A breakdown by business segments is as follows:

In the security services segment, we provided customers chiefly with commercial and residential security services (on-line security systems), as well as static guard services, armored car services and merchandises. In the current fiscal year, we have strived to catch the customers' needs precisely and propose the most suitable services from our extensive lineup so that we can make our customer relationship more solid and provide the customers with the long-term safety, peace of mind, comfort, and convenience.

For our commercial security services, we have made an effort to market high value added on-line security systems, such as "SECOM AX," which is high-quality on-line security systems supported by imaging technology, "SECOM LX," which has an access control function for the promotion of labor management and cost reduction, and "SECOM FX," which has a facility control function.

For our residential security services, we have promoted "SECOM Home Security G-Custom," home security controller with the function to provide services close to customers' regular life. In addition, we have launched new services for the super aging society, including "SECOM My Doctor Plus," an emergency correspondence services addressing the outside and inside occurrences and combining the rescuing and caring services for the aged, with the cooperation of the two major nursing business companies. As options available to SECOM Home Security subscribers, we also offer the Keeping in Touch call and Keeping in Touch visiting services for seniors, by combining our medical services and life support services to ensure peace of mind both for seniors receiving support and for loved ones living far away.

Outside Japan, we promoted our "SECOM-style" security services, which has specialty in emergency response services, in economically developing areas, including People's Republic of China, and Southeast Asia.

As a result, revenue increased by 6.3% to YEN 459.1 billion and operating profit increased by 3.8% to YEN 105.8 billion.

In the fire protection services segment, we provided a broad range of fire protection systems such as high-quality fire alarm systems and fire extinguishing systems along with customers' needs to a wide variety of facilities such as office buildings, production facilities, tunnels, cultural properties, ships and residences. In the current fiscal year, two major fire protection companies, Nohmi Bosai Ltd. and Nittan Co., Ltd., promoted various fire protection systems based on each company's business infrastructure and product development expertise.

Revenue increased by 6.9% to YEN 122.0 billion and operating profit increased by 61.4% to YEN 10.4 billion, mainly due to the cost reduction.

In the medical services segment, we provided various medical services such as our core home medical services, including home nursing services and pharmaceutical dispensing and home delivery services, operation of residences for seniors, sales of electronic medical report systems, sales of medical equipments and pharmaceutical products, personal care services, and the leasing of real estate for medical institutions. In the current fiscal year, in a joint venture with a local firm and others, we opened Sakra World Hospital in Bangalore, India, the first general hospital jointly managed by Japanese and local company in India, leveraging our know-how accumulated through our medical services. In Japan, we opened a medical complex for seniors, SECOM CAREA Azamino, the continued care facility combined with attendant nursing care service etc.

Revenue increased by 11.9% to YEN 53.8 billion, mainly owing to the firm increase in sales of pharmaceutical products. Operating profit increased by 5.9% to YEN 4.5 billion.

In the insurance services segment, we expanded marketing efforts for our unique non-life insurance offerings, including Security Discount Fire Policy for commercial facilities that offers discounts on premiums to customers who have installed on-line security systems, recognizing such systems as a risk-mitigating factor; SECOM *Anshin* My Home, the comprehensive fire insurance policy for residences that offers a variety of compensation plans and discount policies; MEDCOM, an unrestricted cancer treatment policy that offers compensation of actual cost of medical treatment; and SECOM *Anshin* My Car, a comprehensive automobile insurance policy that offers on-site support services provided by our emergency response personnel in the event of an accident.

Revenue increased by 1.7% to YEN 35.7 billion, mainly due to the firm increase in sales of MEDCOM and fire insurance policy. Operating loss was YEN 0.4 billion, improving from operating loss of YEN 0.9 billion in the previous corresponding period, with the decrease in selling, general and administrative expenses.

In the geographic information services segment, we collected geographic data from aerial photography, vehicle/ground surveying systems and satellite images, and by integrating, processing, and analyzing the geographic data, provided the geospatial data services for domestic national and local governmental agencies, private sectors, and foreign governmental agencies including emerging and developing countries. To improve road safety, we started to sales of high-precision 3D data for highways following to those for national road. We also strived to increase in processing capacity of geographical information suited to our customers' needs, including infrastructure management and national resilience, etc.

Revenue increased by 6.8% to YEN 54.6 billion, mainly due to the firm increase in public division's sales. Operating profit increased by 11.4% to YEN 4.1 billion, mainly due to the improvement in cost ratio of the international division.

In the information and communication related services segment, our distinctive portfolio includes the core data center services, as well as BCP support, information security services and a variety of cloud-based services. In the current fiscal year, in light of increased demand since the Great East Japan Earthquake, we opened two new data center facilities in Tokyo and Osaka. We launched Real-Time Disaster Information Services, analyzing public disaster information and our independently collected information, and providing accurate information of evacuation and BCP. We also started Cyber Dojo Services, training of method for coping with cyber attack. In addition, we signed a joint agreement with Tokyo Metropolitan Police Department to promote collaborative preventive efforts to prevent cyber attack and cybercrime.

Revenue increased by 58.7% to YEN 47.7 billion and operating profit went up by 60.0% to YEN 5.6 billion, chiefly owing to contribution by At Tokyo Corporation, newly consolidated from October 31, 2012.

Real estate and other services segment comprises developing and selling condominiums equipped with advanced security and disaster mitigation features, real estate leasing, construction and installation services, etc.

Revenue decreased by 10.7% to YEN 49.0 billion, chiefly due to the decrease in sales of condominiums in the real estate development and sales business.

Operating profit went down by 3.0% to YEN 4.2 billion.

Results by Business Segment (53rd Fiscal Year – current fiscal year)

(Millions of Yen)

Business segment	Revenue			Operating profit (loss)
	Customers	Inter-segment	Total	
Security services	459,101	13,098	472,200	105,871
Fire protection services	122,045	5,111	127,157	10,427
Medical services	53,802	149	53,951	4,569
Insurance services	35,769	2,946	38,716	(465)
Geographic information services	54,696	72	54,769	4,182
Information and communication related services	47,727	6,194	53,922	5,607
Real estate and other services	49,084	2,255	51,339	4,282
Total	822,228	29,828	852,056	134,477
Eliminations and corporate items	-	(29,828)	(29,828)	(14,458)
Consolidated revenue	822,228	-	822,228	120,018

With respect to the results by geographical segments, in Japan, revenue increased by 6.9% to YEN 782.8 billion. Overseas revenue increased by 19.1% to YEN 39.3 billion.

2. Issues the Group Has to Cope with

As society undergoes constant change, people's demand for security and safety increases and becomes diverse and sophisticated.

In view of this situation, the Group is aiming to realize "Social System Industry" through providing various services and products, in our security services, fire protection services, medical services, insurance services, geographic information services, information and communication related services, real estate development and sales and other services. Moreover, by combining these services and products, the Group endeavors to create and supply unique services and products. To this end, the Group declared the slogan, "ALL SECOM," to further rally cooperation among the Group's various businesses, and each and every employee of the Group has been actively working to maximize the strength of the Group as a whole. We place high value on the data center business handling our customers' classified information as one of our business bases. Furthermore, we promote aggressively the creation of highly-value-added services only the Group could provide, from the viewpoint of key words like security, super-aging society, disaster, business continuity planning (BCP) and environment.

We will continue our efforts to develop high-quality systems that can earn the trust of our customers and provide services that accurately respond to their needs, while working to provide comprehensive services by maximizing the Group's capabilities. Through these efforts, we ultimately seek to establish a more secured, safe, comfortable and convenient society. Additionally, the Group aims to further instigate growth by leveraging its know-how accumulated through its business in Japan and using it to aggressively develop businesses overseas.

We look forward to the support from our shareholders in these and all of our endeavors.

[English Translation]

3. Capital Expenditures

Capital expenditures for the current fiscal year totaled YEN 54.4 billion (a breakdown is given below). A major portion was for system investments (including those for security equipment and control stations) etc. in the security services segment, which totaled to YEN 37.5 billion.

Business segment	Amount (Millions of Yen)
Security services	37,575
Fire protection services	1,635
Medical services	2,052
Insurance services	1,646
Geographic information services	4,742
Information and communication related services	5,768
Real estate and other services	496
Subtotal	53,918
Eliminations and corporate items	525
Total	54,444

4. Fund Raising

During the current fiscal year, no funds were raised by the Group in capital markets through the issuance of corporate bonds or new shares.

5. Trends in Earnings and Assets of the Group

(Millions of Yen except for net income per share)

Fiscal years Category	50th fiscal year (4/1/2010– 3/31/2011)	51st fiscal year (4/1/2011– 3/31/2012)	52nd fiscal year (4/1/2012– 3/31/2013)	53rd fiscal year (current fiscal year) (4/1/2013– 3/31/2014)
Revenue	663,887	679,173	765,635	822,228
Operating profit	99,141	81,078	108,370	120,018
Ordinary profit	109,674	87,839	113,618	126,677
Net income	60,846	35,489	63,658	69,876
Net income per share (Yen)	279.07	162.63	291.65	320.14
Total assets	1,094,400	1,101,884	1,249,110	1,328,226
Net assets	654,055	671,517	764,139	830,369

6. Trends in Earnings and Assets of the Company

(Millions of Yen except for net income per share)

Fiscal years Category	50th fiscal year (4/1/2010– 3/31/2011)	51st fiscal year (4/1/2011– 3/31/2012)	52nd fiscal year (4/1/2012– 3/31/2013)	53rd fiscal year (current fiscal year) (4/1/2013– 3/31/2014)
Revenue	329,297	345,476	355,393	364,280
Operating profit	68,688	70,196	69,952	72,909
Ordinary profit	74,501	75,212	76,336	78,884
Net income	45,023	26,818	49,128	51,497
Net income per share (Yen)	206.50	122.90	225.08	235.94
Total assets	694,656	699,448	749,317	772,910
Net assets	558,417	567,758	599,112	627,242

In the current fiscal year, the Company's non-consolidated revenue increased by 2.5% to YEN 364.2 billion, operating profit increased by 4.2% to YEN 72.9 billion, ordinary profit increased by 3.3% to YEN 78.8 billion, and net income increased by 4.8% to YEN 51.4 billion. Net income per share increased to YEN 235.94 compared to YEN 225.08 in the previous fiscal year.

Contract revenue accounted for 85.0% of total revenue, or YEN 309.4 billion, and sales of products and equipment accounted for 15.0% of total revenue, or YEN 54.7 billion.

Revenue from centralized systems, which is the core of revenue and profit, recorded YEN 259.2 billion and accounted for 71.2% of total revenue. Static guard contracts generated revenue of YEN 25.0 billion, and revenue from armored car services came to YEN 17.2 billion. The remaining revenue amounted to YEN 8.0 billion, the majority of which came from management fees paid by subsidiaries and other companies.

Product sales totaled YEN 33.3 billion, 9.1% of total revenue, and equipment sales to subsidiaries and other companies totaled YEN 21.4 billion, 5.9% of total revenue.

Costs of service and sales were YEN 215.8 billion, and sales and general administrative expenses were YEN 75.5 billion. As a result, operating profit recorded YEN 72.9 billion.

Non-operating income was YEN 10.2 billion, which included interest and dividends received, while non-operating expenses, including interest paid and loss on sales and disposal of fixed assets, totaled YEN 4.2 billion.

For the fiscal year under review, the Company posted net income of YEN 51.4 billion, having recorded an extraordinary profit of YEN 0.4 billion including the gain on redemption of investment securities, and an extraordinary loss of YEN 1.6 billion including the provision for allowance for doubtful accounts with respect to loans to consolidated subsidiaries.

Revenue by Business Category of the Company

Fiscal years Category		51st fiscal year (4/1/2011–3/31/2012)			52nd fiscal year (4/1/2012–3/31/2013)			53rd fiscal year (Current fiscal year) (4/1/2013–3/31/2014)		
		Amount (Millions of Yen)	%	Change (%)	Amount (Millions of Yen)	%	Change (%)	Amount (Millions of Yen)	%	Change (%)
Contract revenue	Centralized systems	249,817	72.3	4.4	256,025	72.0	2.5	259,249	71.2	1.3
	Static guard services	24,923	7.2	0.4	25,223	7.1	1.2	25,001	6.9	(0.9)
	Armored car services	17,276	5.0	1.8	17,073	4.8	(1.2)	17,223	4.7	0.9
	Other	7,506	2.2	(18.0)	6,977	2.0	(7.0)	8,023	2.2	15.0
	Subtotal	299,523	86.7	3.2	305,300	85.9	1.9	309,499	85.0	1.4
Sales	Products	28,034	8.1	0.8	29,389	8.3	4.8	33,328	9.1	13.4
	Equipment	17,917	5.2	59.5	20,703	5.8	15.5	21,453	5.9	3.6
	Subtotal	45,952	13.3	17.7	50,092	14.1	9.0	54,781	15.0	9.4
Total		345,476	100.0	4.9	355,393	100.0	2.9	364,280	100.0	2.5

7. Matters Concerning Principal Subsidiaries

Company name	Issued capital	Percentage of ownership (Percentage of voting rights)	Principal business activities
Secom Joshinetsu Co., Ltd.	(Millions of Yen) 3,530	(%) 50.87 (50.88)	Security and safety services
Nohmi Bosai Ltd.	(Millions of Yen) 13,302	(%) 50.36 (50.93)	Comprehensive fire protection services
Nittan Co., Ltd.	(Millions of Yen) 2,302	(%) 100.00 (100.00)	Comprehensive fire protection services
Secom Medical System Co., Ltd.	(Millions of Yen) 6,650	(%) 100.00 (100.00)	Home medical services and remote image diagnosis support services
Secom General Insurance Co., Ltd.	(Millions of Yen) 16,808	(%) 97.11 (97.82)	Non-life insurance
Pasco Corporation	(Millions of Yen) 8,758	(%) 69.84 (72.80)	Surveying, measuring and geographic information system services
Secom Trust Systems Co., Ltd.	(Millions of Yen) 1,468	(%) 100.00 (100.00)	Information security services and software development
At Tokyo Corporation	(Millions of Yen) 13,378	(%) 50.88 (50.88)	Data center business
Secom Home Life Co., Ltd.	(Millions of Yen) 3,700	(%) 99.94 (99.95)	Development and sales of real estate
The Westec Security Group, Inc.	(US\$) 301	(%) 100.00 (100.00)	Holding company in the U.S.
Secom Plc	(Thousands of UK Pounds) 44,126	(%) 100.00 (100.00)	Security business in the U.K.

(Notes)

1. The percentages of ownership (percentages of voting rights) are truncated to two decimal places.
2. The percentages of ownership (percentages of voting rights) for Secom Joshinetsu Co., Ltd. and Nohmi Bosai Ltd. include those owned by the Company's subsidiaries.

8. Principal Business of the Group

The Group consists of the Company, 174 consolidated subsidiaries and 25 affiliates accounted for under the equity method. The principal business activities of the Group are as follows: Security Services centering on contracted security services; Fire Protection Services centering on comprehensive fire protection services; Medical Services, focusing on home medical services and management of residences for seniors; Insurance Services consisting mainly of non-life insurance; Geographic Information Services that mainly entails the provision of surveying and measuring operations; Information and Communication Related Services including security network services, development and operation of business systems and information security services; and Real Estate Development and Sales centering on development and sales of condominiums and Other Services.

9. Principal Offices of the Group

- (i) Headquarters of the Company:
5-1, Jingumae 1-chome, Shibuya-ku, Tokyo
- (ii) Regional Headquarters:
Hokkaido (Sapporo City), Tohoku (Sendai City), West Kanto (Saitama City), East Kanto (Chiba City), Tokyo (Bunkyo-ku, Tokyo), Metropolitan Static Guard Service (Shinjuku-ku, Tokyo), Metropolitan Armored Car Service (Saitama City), Kanagawa (Yokohama City), Shizuoka (Shizuoka City), Chubu (Nagoya City), Kinki (Kyoto City), Osaka (Osaka City), Kansai Static Guard Service (Osaka City), Hyogo (Kobe City), Chugoku (Hiroshima City), Shikoku (Takamatsu City), Kyushu (Fukuoka City).
- (iii) Domestic Subsidiaries:
Secom Joshinetsu Co., Ltd. (Niigata City), Nohmi Bosai Ltd. (Chiyoda-ku, Tokyo), Nittan Co., Ltd. (Shibuya-ku, Tokyo), Secom Medical System Co., Ltd. (Shibuya-ku, Tokyo), Secom General Insurance Co., Ltd. (Chiyoda-ku, Tokyo), Pasco Corporation (Meguro-ku, Tokyo), Secom Trust Systems Co., Ltd. (Shibuya-ku, Tokyo), At Tokyo Corporation (Koto-ku, Tokyo), Secom Home Life Co., Ltd. (Shibuya-ku, Tokyo), Arai & Co., Ltd. (Shibuya-ku, Tokyo).
- (iv) Overseas Subsidiaries:
The Westec Security Group, Inc. (Dover, Delaware, USA), Secom Plc (Kenley, Surrey, UK), Secom (China) Co., Ltd. (Beijing, China).

10. Matters Concerning Employees of the Group and the Company

(1) Matters Concerning Employees of the Group

Number of employees	Increase from the end of the previous fiscal year
37,241	768

(2) Matters Concerning Employees of the Company

Number of employees	Increase from the end of the previous fiscal year	Average age	Average years of service
15,095	191	41.6	15.0

(Note)

The number of employees refers to the number of full-time employees.

11. Principal Lenders

(Millions of Yen)

Lenders	Balance
Mizuho Bank, Ltd.	20,378
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,379
Sumitomo Mitsui Banking Corp.	9,437
Mitsubishi UFJ Trust and Banking Corp.	4,466

12. Other Important Matters Concerning the Group

There is no matter applicable.

II. Matters Concerning the Company's Shares and Shareholders

1. Total Number of Shares to be Issued: 900,000,000

2. Total Number of Issued Shares: 233,288,717

(including 15,022,012 shares of treasury stock held by the Company)

3. Number of Shareholders at the End of the Fiscal Year: 27,054

4. Number of Shares Constituting a Unit of Shares: 100 shares

5. Major Shareholders (Top 10)

Name of Shareholders	Number of shares held (Thousands of Shares)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,889	8.19
The State Street Bank and Trust Company	17,872	8.18
Japan Trustee Services Bank, Ltd. (Trust Account)	11,549	5.29
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052098)	6,153	2.81
Makoto Iida	4,320	1.97
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052088)	4,148	1.90
Secom Science and Technology Foundation	4,025	1.84
BNP Paribas Securities	3,615	1.65
Juichi Toda	3,152	1.44
The State Street Bank and Trust Company 505223	2,736	1.25

(Notes)

1. Although the Company holds treasury stock of 15,022,012 shares, it is not included in the table above. The percentage of ownership is calculated on the basis of the total number of shares outstanding excluding treasury stock. The percentage of ownership is truncated to two decimal places.
2. In the case of the trust banks listed above, banking business-related shares and trust service-related shares are registered under different register names. Therefore, the number of shares held under the register name of banking business is registered separately.
3. Although Mr. Juichi Toda passed away on January 30, 2014, transfer of title has not been completed as of March 31, 2014. Therefore, the name is indicated as in the register list of shareholders.

III. Directors and Audit & Supervisory Board Members

1. Names and Titles of Directors and Audit & Supervisory Board Members

(As of March 31, 2014)

Position	Name	Field of responsibility and important position of other organization concurrently assumed
Director	Makoto Iida	Supreme Advisor
President and Representative Director	Shuji Maeda	Executive Officer
Executive Director	Yasuo Nakayama	Executive Officer (general manager of general affairs division) Outside Audit & Supervisory Board Member of Secom General Insurance Co., Ltd.
Executive Director	Hiroshi Ito	Executive Officer (general manager of human resources division, in charge of information systems and liaison), President and Representative Director of Secom Trust Systems Co., Ltd.
Executive Director	Kazuaki Anzai	Executive Officer (general manager of sales division, in charge of sales administration), Outside Director of Nohmi Bosai Ltd., Outside Director of Toyo Tec Co., Ltd.
Director	Yasuyuki Yoshida	Executive Officer (in charge of strategic planning office and in charge of group companies supervisor)
Director	Junzo Nakayama	Executive Officer (general manager of finance division)
Director	Tatsuro Fuse	Executive Officer (in charge of medical business), President and Representative Director of Secom Medical System Co., Ltd.
Director	Kenichi Furukawa	Executive Officer (general manager of planning department)
Director	Takaharu Hirose	Chairman and Representative Director of GAIN Inc.
Director	Takashi Sawada	President and Representative Director of Revamp Corporation, Outside Director of Nomura Research Institute, Ltd., Outside Director of Culture Convenience Club Co., Ltd.
Audit & Supervisory Board Member	Seiji Sakamoto	Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member	Katsuhisa Kuwahara	Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member	Ken Tsunematsu	Attorney-at-law, Managing Director of Secom Science and Technology Foundation
Audit & Supervisory Board Member	Hideki Kato	President of Shikoku Minka Museum, a public interest incorporated foundation

[English Translation]

Position	Name	Field of responsibility and important position of other organization concurrently assumed
Audit & Supervisory Board Member	Kenichi Sekiya	Director Emeritus of DISCO Corporation

(Notes)

1. Messrs. Takaharu Hirose and Takashi Sawada are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
2. Messrs. Ken Tsunematsu, Hideki Kato and Kenichi Sekiya are Outside Audit & Supervisory Board Members as stipulated in Article 2, Item 16 of the Companies Act.
3. The Audit & Supervisory Board Member, Mr. Seiji Sakamoto has a long-term experience by working at a financial institution and has considerable knowledge of finance and accounting matters.
4. The Audit & Supervisory Board Member, Mr. Katsuhisa Kuwahara had been in charge of the Company's financial affairs for 27 years and has considerable knowledge of finance and accounting matters.
5. The Audit & Supervisory Board Member, Mr. Ken Tsunematsu, has for many years been involved in securities issuance businesses for domestic and overseas companies, public institutions, organizations, etc. as an attorney-at-law. He has experienced in the analysis and evaluation of the financial statements of these issuers, and has considerable knowledge of finance and accounting matters.
6. There are no particular interests between the Company and other corporations employing Outside Director, Messrs. Takaharu Hirose and Takashi Sawada.
7. There are no particular interests between the Company and other corporations employing Audit & Supervisory Board Members, Messrs. Ken Tsunematsu, Hideki Kato and Kenichi Sekiya.
8. The notice of Outside Directors, Messrs. Takaharu Hirose and Takashi Sawada being independent officers was submitted to Tokyo Stock Exchange, Inc.
9. The notice of Outside Audit & Supervisory Board Members, Messrs. Ken Tsunematsu, Hideki Kato and Kenichi Sekiya being independent officers was submitted to Tokyo Stock Exchange, Inc.
10. Changes in Directors and Audit & Supervisory Board Members during the current fiscal year
 - 1) Director Mr. Shohei Kimura and Director Kanemasa Haraguchi retired at the close of the 52nd Ordinary General Meeting of Shareholders held on June 25, 2013.
 - 2) Audit & Supervisory Board Member Mr. Kohei Yamashita resigned at the close of the 52nd Ordinary General Meeting of Shareholders held on June 25, 2013.
 - 3) Messrs. Tatsuro Fuse, Kenichi Furukawa, Takaharu Hirose and Takashi Sawada were elected as Director at the 52nd Ordinary General Meeting of Shareholders held on June 25, 2013, and assumed the office.
 - 4) Mr. Kenichi Sekiya was elected as Audit & Supervisory Board Member at the 52nd Ordinary General Meeting of Shareholders held on June 25, 2013, and assumed the office.
 - 5) Executive Vice President and Director Mr. Koichi Sato resigned on December 31, 2013.
 - 6) Mr. Juichi Toda, Director (supreme advisor), passed away on January 30, 2014.
11. The following changes in status have been resolved at the Board of Directors Meeting held on May 8, 2014.
 - 1) President and Representative Director Mr. Shuji Maeda will assume the Chairman and Representative Director on June 1, 2014.
 - 2) Executive Director Mr. Hiroshi Ito will assume the President and Representative Director on June 1, 2014.
 - 3) Director Mr. Junzo Nakayama will assume Executive Director on June 1, 2014.
 - 4) Director Mr. Kenichi Furukawa will assume Executive Director on June 1, 2014.

〈Reference〉

Executive Officers who are not Directors are as follows:

(As of May 1, 2014)

Title	Name
Managing Executive Officer	Naohide Nakamura, Toshiyuki Mukai, Masahiro Takeda, Teruhisa Yoshimura, Hideo Morishita
Executive Officer	Takayuki Ito, Minoru Takaoka, Tsuneo Komatsuzaki, Ryohei Komatsu, Keitaro Arai, Hiromichi Sonoda, Hiroshi Ishikawa, Yoichi Sugimoto, Tatsuya Izumida, Shokichi Ishimura, Toshiaki Mizuno

(Notes)

1. Mr. Masahiro Takeda and Teruhisa Yoshimura were appointed to Managing Executive Officers as of June 1, 2013.
2. Mr. Shokichi Ishimura was appointed to Executive Officer as of January 1, 2014.
3. Executive Officer Mr. Hideo Morishita was appointed to Managing Executive Officer as of April 1, 2014.
4. Mr. Toshiaki Mizuno was appointed to Executive Officer as of April 1, 2014.
5. Managing Executive Officer Mr. Shunji Ogahara was retired from Managing Executive Officer as of April 30, 2014.

2. Remuneration of Directors and Audit & Supervisory Board Members

	Number of Recipients	Combined total of remuneration etc. (Millions of Yen)
Directors	15	433
(of which Outside Directors)	(2)	(12)
Audit & Supervisory Board Members	6	71
(of which Outside Audit & Supervisory Board Members)	(4)	(28)
Total	21	504

(Notes)

1. Combined total of remuneration etc. for Directors in the above table includes 63 million YEN bonuses to directors for the current fiscal year.
2. Combined total of remuneration etc. for Directors and Audit & Supervisory Board Members in the above table includes YEN 8 million of a provision amount accrued to retirement benefits for Directors and Audit & Supervisory Board Members (YEN 8 million for Directors (of which YEN 0 for Outside Directors), YEN 0 million for Audit & Supervisory Board Members (of which YEN 0 for Outside Audit & Supervisory Board Members)).

3. Policy for Determining the Amount of Remuneration of Directors and Audit & Supervisory Board Members

(1) Remuneration of Directors

The remuneration of Directors is determined by the President and Representative Director—who is authorized by the Board of Directors—based on the duties and performance of Directors on an individual basis, within the limit of the amount of remuneration resolved at the General Meeting of Shareholders.

(2) Remuneration of Audit & Supervisory Board Members

The remuneration of Audit & Supervisory Board Members is determined subject to the resolution among Audit & Supervisory Board Members, the amount of which is commensurate with the duties of Audit & Supervisory Board Members on an individual basis, within the limit of the amount of remuneration resolved at the General Meeting of Shareholders.

4. Outside Directors and Outside Audit & Supervisory Board Members

(1) Activities of Outside Directors and Outside Audit & Supervisory Board

Members during the current fiscal year

Category	Name	Attendance of the Meetings of the Board of Directors	Attendance of the Meetings of the Audit & Supervisory Board	Main Activities
Outside Director	Takaharu Hirose	9 (out of 9)	-	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience and insight gained through the foundation and the management of many enterprises and organizations. He also asked questions and stated opinions in order to clarify unclear issues.
Outside Director	Takashi Sawada	8 (out of 9)	-	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience and insight gained through the foundation and the management of many organizations. He also asked questions and stated opinions in order to clarify unclear issues. He also makes efforts to understand the contents of the meetings of the Board of Directors which he had missed by receiving reports on resolutions and such from an operating chief of the Board.

Category	Name	Attendance of the Meetings of the Board of Directors	Attendance of the Meetings of the Audit & Supervisory Board	Main Activities
Outside Audit & Supervisory Board Member	Ken Tsunematsu	12 (out of 12)	12 (out of 12)	He has high level of insight to corporate legal matters and knowledge about management and interests between stakeholders through many domestic and international securities issuing projects and abundance of experience in the area of finance and accounting, which were cultivated in many years as attorney-at-law. He primarily offered advice and suggestions at the meetings of the Board of Directors in order to ascertain the validity and/or appropriateness of operations and management.
Outside Audit & Supervisory Board Member	Hideki Kato	12 (out of 12)	12 (out of 12)	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience in the execution of national policies and insight gained through many accomplishments at a policy think tank. He also asked questions and stated opinions in order to clarify unclear issues.

Category	Name	Attendance of the Meetings of the Board of Directors	Attendance of the Meetings of the Audit & Supervisory Board	Main Activities
Outside Audit & Supervisory Board Member	Kenichi Sekiya	8 (out of 9)	8 (out of 9)	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience and insight gained through serving as a founding manager and as a representative and chairman of global organizations. He also asked questions and stated opinions in order to clarify unclear issues. He also makes efforts to understand the contents of the meetings of the Board of Directors and Audit & Supervisory Board which he had missed by receiving reports on resolutions and such from Full-time Audit & Supervisory Board Members.

(Notes)

1. Mr. Takaharu Hirose and Mr. Takashi Sawada were elected as Directors at the 52nd Ordinary General Meeting of Shareholders held on June 25, 2013, and assumed the office. Therefore, the table shows the attendance figures of the meetings of the Board of Directors held on and after June 25, 2013.
2. Mr. Kenichi Sekiya was elected as Audit & Supervisory Board Member at the 52nd Ordinary General Meeting of Shareholders held on June 25, 2013, and assumed the office. Therefore, the table shows the attendance figures of the meetings of the Board of Directors and Audit & Supervisory Board held on and after June 25, 2013.

(2) Description of the agreement limiting liabilities

The Company has entered into with each of the Outside Directors and each of the Outside Audit & Supervisory Board Members an agreement limiting their liabilities as prescribed by Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. The maximum amount of the liabilities under this agreement which each of the Outside Directors and each of the Outside Audit & Supervisory Board Members incurs is equal to the lowest amount of liabilities stipulated in Article 425, Paragraph 1 of the Companies Act.

IV. Accounting Auditor

1. Name of Accounting Auditor

KPMG AZSA LLC

2. Remuneration of Accounting Auditor

(1) Remuneration for duties relating to Article 2, Paragraph 1 of the Certified Public Accountants Act to be paid by the Company	YEN 229 million
(2) Total cash and other remuneration to be paid by the Company and subsidiaries to the Accounting Auditor	YEN 652 million

(Notes)

1. Based on the audit contract between the Company and the Accounting Auditor, the remuneration paid to the auditor is not distinguished between that which relates to the audits under the Companies Act and that which relates to the audits under Financial Instruments and Exchange Act as they cannot be distinguished. Therefore, the amount given in (1) shown above is the combined total of these amounts.
2. Of the major subsidiaries of the Company, the Westec Security Group Inc. is audited by McGladrey LLP and Secom Plc by KPMG LLP.

3. Non-Audit Duties

The Company pays consideration to the Accounting Auditor for services, including work for financial due diligence, in addition to the services provided for in Article 2, Paragraph 1 of the Certified Public Accountants Act.

4. Policy for Decision for Dismissal or Non-reappointment

Whenever there occurs any material event which could be a substantial hazard to the performance of audit duties of the Company, such as a case when it is deemed that the Accounting Auditor has come to fall within the purview of Article 340, Paragraph 1 of the Companies Act or the Accounting Auditor or the firm of the Accounting Auditor is subjected to the disposition of suspension of business by the supervisory authorities, the Audit & Supervisory Board will examine the situation, and, when all Audit & Supervisory Board Members have consented thereto, the Audit & Supervisory Board Member will take action for the dismissal of the subject Accounting Auditor or the subject firm of the Accounting Auditor. In such case, the Audit & Supervisory Board Member selected by the Audit & Supervisory Board will report the reasons for the dismissal at the general meeting of shareholders convened for the first time after such dismissal.

In any other case, when there exists any situation where it is acknowledged that the Accounting Auditor is not fit to act as Accounting Auditor, a proposal will, with the consent of the Audit & Supervisory Board, be submitted to the general meeting of shareholders for the dismissal or non-reappointment of the Accounting Auditor.

V. System under which the Company's Business is Ensured to be Properly Executed

1. Basic Policy Regarding Internal Control System

The Company's basic policy regarding the internal control system, i.e. the "system under which execution of duties by Directors is ensured to comply with laws and regulations and the Articles of Incorporation, and the system under which the Company's business is ensured to be properly executed," approved by the resolution of the Board of Directors is set out below. (Last revised on April 7, 2010)

(1) General

This resolution manifests the basic policy regarding the internal control system of the Company to be specifically established by the President and Representative Director based on Article 362, Paragraph 5 of the Companies Act.

The internal control system based on this resolution shall be established urgently by officers in charge, and shall be constantly reviewed and improved.

(2) System under which execution of duties by Directors and employees is ensured to comply with laws and regulations and the Articles of Incorporation

- (i) In order to ensure even more thorough compliance with laws and regulations and the Articles of Incorporation in the execution of duties, the Company has integrated its compliance manual with *SECOM Group Code of Employee Conduct*, which sets key ethical standards to be followed, and at the same time, it has conducted a review of manuals on critical laws. *SECOM Group Code of Employee Conduct* is based on the philosophy of SECOM, which we have followed since the establishment of the business. These ethical guidelines prescribe ideals covering the official and private affairs of all executives and employees and action standards (including the blocking relationships with anti-social forces) to be followed in the execution of specific daily duties. As such, these guidelines provide the basis of all actions. The compliance management system is as follows:

(Ensuring compliance)

From the start, the compliance of laws and regulations has been an indispensable requirement of our business, and we have always sought to operate in strict adherence to this spirit. Therefore, compliance is a part of the Company's daily routines, which should not require a system in which a specific section or manager is responsible for implementation. Each and every employee is at the front line of promoting the code of conduct, including legal compliance. The implementation of guidelines is carried out by the line managers of the organization. Further control is provided by the executive officers in charge of departments under their control, with the President and Representative Director providing companywide control.

(Executive officers in charge)

The executive officers in charge of each area are responsible for having thorough knowledge particularly of regulations related to their duties and the relationships of such regulations with their own operations. They are responsible for proposing responses to any revisions of laws to the President and Representative Director. The

Legal Affairs Department supports them, providing cross-organizational coordination.

(Inspection)

Following the orders of the President and Representative Director, the Audit and Compliance Department provides cross-organizational inspection in a timely manner, indicating how to improve morale through observance and at the same time pointing out matters that need correction. The findings of the inspection are reported promptly to the President and Representative Director.

(Whistleblower System)

When executives and employees of the Company become aware of unethical actions, they have the obligation to report such actions to the proper superior without hesitation. A “Hot Helpline” has been established to facilitate contact with the Audit and Compliance Department if corrective actions are not taken even after reporting to superiors or it is difficult to report. Such reports will remain strictly confidential, preventing any harm to the reporter and any necessary investigation and appropriate measures will be taken promptly.

(Organizational Culture Committee)

The Company establishes a standing, active Organizational Culture Committee, chaired by the President and Representative Director. The Organizational Culture Committee examines important organizational culture-related issues (including compliance-related matters), which are the cornerstone of developing and maintaining the corporate organization, and determines important official commendations and punishments.

- (ii) Revisions of *SECOM Group Code of Employee Conduct* and/or critical compliance-related matters are undertaken after discussion with the Organizational Culture Committee and subject to the approval of the Board of Directors after obtaining opinions of the Audit & Supervisory Board Members.
- (iii) Basic plans and policies concerning internal controls related to financial reporting are determined in accordance with the standards of the Business Accounting Council. Furthermore, an internal control system is being developed by reinforcing information security and through other steps.

(3) System under which information regarding execution of business by Directors shall be maintained and controlled

- (i) Documents and other information regarding execution of duties such as those concerned with decision making (hereinafter referred to as the “information on executing duties”) shall be properly maintained, administered (including destruction) pursuant to the Document Administration Regulation of the Company, which will be amended upon reviewing the operating conditions if necessary.
- (ii) Information on executing duties shall be recorded on database with necessary information protection measure so that a search system can be established to enable quick search as to whether or not the particular document exists or the condition of storage of the particular document.
- (iii) Any business related to the preceding two paragraphs shall be undertaken by officers in charge, and in particular the status of

examination and review of (i) above, and operation and management of the database of (ii) above shall be reported to the President and Representative Director, the Board of Directors, and the Audit & Supervisory Board.

- (iv) Establishment and important amendments of the Regulation regarding (i) above shall be subject to approval of the Board of Directors after obtaining opinions of the Audit & Supervisory Board Members.

(4) Regulation regarding control of risk of loss and other system

- (i) The Company’s approach to risk management is embedded in day-to-day business activities, with acknowledgement that risk management itself is the Company’s business. Executive officers in charge, under the direction of the President and Representative Director, analyze and assess business risk and fraud risk in the operational areas for which they are responsible, and revise established rules and manuals as conditions change. Rules and manuals are based on risk analysis and assessment, and stipulate preventive measures, prompt and appropriate communication and emergency preparedness when incidents occur, daily risk monitoring and other systems.
- (ii) The officer in charge shall report the President and Representative Director, the Board of Directors and the Audit & Supervisory Board on matters related to control of risk.
- (iii) Any important changes of the risk control system shall be subject to approval of the Board of Directors after obtaining opinions of the Audit & Supervisory Board Members.

	Risk Category	Example
Large scale calamity	(1) Large scale calamity risk	Earthquake, wind, flood, volcanic disasters, radiation leakage, etc.
Ordinary times	(2) Compliance risk	Noncompliance with “Constitution of SECOM’s Business and Operation,” “SECOM Group Code of Employee Conduct,” other internal rules and guidelines, etc., risk accompanied by establishment or changes in regulations (in the area of tax system, medical system, etc.), breach of law, etc.
	(3) System risk	Information system shut down, electronic data extinguishment, large scale blackout, wide area circuit disturbance, ICT (information and communication technology) related risk, etc.
	(4) Service providing risk	Risk incurred when providing services (Accidents related to security, fire alarm or equipment maintenance businesses, etc.)
	(5) Administrative work and accounting risk	Input error or input omission in administrative or account processing, estimation error for allowance, etc.

	Risk Category	Example
Ordinary times	(6) Others	Offence from outsiders (groundless rumor, calumny, theft, terror, etc.), risk related to M&A, risk related to new system development, other risk related to business infrastructure (fire on the Company's premises, pandemic influenza, disease epidemic, etc.), etc.

(5) System by which efficient execution of duties of Directors shall be ensured

- (i) All Directors of the Company shall carry out operation and execution of business on the basis of the "Constitution of SECOM's Business and Operation" so that they may share the idea essential to execution of the duties such as decision making for management by the Board of Directors, decision making for execution of duties by the Directors.
- (ii) On the basis of the preceding, to implement execution of duties efficiently, the system of executive officers has been introduced so that decision making and execution of business shall be further facilitated.
- (iii) In executing duties, in order to unify the power of the entire Company, a system utilizing IT should be established and thereby, enabling information to be immediately disseminated to the entire Company to the fullest extent.
- (iv) With respect to particular decision making or execution of duties, a system utilizing IT should be established to carry out the decision making and execution immediately and definitely.
- (v) The Company will share the medium and long term business vision, and for the purpose of accomplishment thereof, the Board of Directors will design an annual business plan and deliberate progress of the plan each month.

(6) System under which the Company and the Company Group consisting of the parent company and subsidiaries is ensured to properly execute its business

- (i) Abiding by the "Constitution of SECOM's Business and Operation," each of the companies of the SECOM Group shares *SECOM Group Code of Employee Conduct*, which applies to all executives and employees. United by these guidelines, the executives and employees work to accomplish the corporate goals in an appropriate manner.
- (ii) The "Basic Rules for SECOM Group Corporate Management" provide guidelines to enhance Group synergy, leading to the achievement of the business vision by the entire SECOM Group. Covering critical decision-making by the companies, these basic rules clarify the coordination of items to be approved in prior consultation with the parent company and ensure the acknowledgement of such important items.
- (iii) Each of the companies of the SECOM Group carries out IT controls covering administration and management information in conformance

with the “Basic Policy of the SECOM Group for Information Security.” The Company’s IT executive officers conduct timely inspections covering the IT management of major subsidiaries.

- (iv) The “SECOM Group Management Committee,” which is chaired by the Company’s President and Representative Director and whose members are composed of the presidents of subsidiaries and other parties appointed by the chairperson, works to ensure that appropriate operations are carried out. It accomplishes this goal by conducting discussions of issues related to the Group’s internal controls in an effort to share Group information and operating philosophy. The President and Representative Director reports the results of the Group Management Committee to the Board of Directors and the Audit & Supervisory Board.
- (v) The President and Representative Director issues orders to the Audit and Compliance Department and the supervising executive officers at Group companies to inspect subsidiaries, if necessary. The subsidiaries accept the inspection by the Company, which is the parent company, and at the same time promote the understanding of compliance-related issues by exchanging information with the Company.
- (vi) The Audit & Supervisory Board Members of the Company visit important subsidiaries and conduct audits regarding internal controls.
- (vii) A liaison meeting with Group Audit & Supervisory Board Members is established after discussion with the Audit & Supervisory Board in an attempt to share information.

(7) Matters related to employees to assist duties of Audit & Supervisory Board Members when Audit & Supervisory Board Members requests to do so

The Office of Audit & Supervisory Board Members will be established and at least two employees will be manned to assist audit duties of the Audit & Supervisory Board Members.

(8) Matters related to independence of the employees in the preceding item concerned from Directors

Transfer and evaluation of assistants in the preceding item shall be subject to the approval of the Audit & Supervisory Board.

The assistants who received necessary instruction on audit duties by Audit & Supervisory Board Members shall not be subject to any instruction or order from Directors, executive officers or employees with respect to the subject audit duties, nor be obligated to report to them.

(9) System under which Directors and employees report to Audit & Supervisory Board Members and system under which any report is made to Audit & Supervisory Board Members

- (i) Regulation providing for matters to be reported to Audit & Supervisory Board Members shall be established upon discussion with the Audit & Supervisory Board, and Directors shall make reports with respect to the following matters: (1) matters resolved by the Organization Culture Committee and other committees; (2) matters likely to be materially harming the Company; (3) important matters relating to monthly business conditions; (4) important matters relating to internal audit and risk management; (5) material violation of laws and regulations or the

Articles of Incorporation; (6) condition of usage and content of the Hot Help Line; and (7) in addition, important matters from viewpoint of compliance.

- (ii) If an employee finds a fact falling within the preceding paragraph, a system by which the fact may be transmitted directly to the President and Representative Director through such means as the Hot Help Line shall be arranged and the President and Representative Director shall report to Audit & Supervisory Board Members pursuant to the preceding paragraph.

(10) System under which audit by Audit & Supervisory Board Members is ensured to be performed efficiently

- (i) The Audit & Supervisory Board shall regularly hold the meetings with the President and Representative Director and the Accounting Auditor, to exchange opinions so that audit shall be performed efficiently.
- (ii) The Company ensures that the Audit & Supervisory Board may retain attorneys-at-law at its discretion and, if necessary, have opportunities to retain and consult professional accountants with respect to their audit duties.

2. Organizations etc. Relating to Internal Control System (as of May 1, 2014)

The Company's governance system is as follows: The Board of Directors makes decisions on business execution and other company matters; executive officers led by President and Representative Director execute business; and Audit & Supervisory Board Members, including 3 Outside Audit & Supervisory Board Members, and the Board of Directors, coordinating with internal audit departments etc. audit and oversee Directors and executive officers in the execution of their duties. More details are provided below.

(1) Organizations etc. involved in business execution, auditing and supervision of the Company

(i) Directors and Board of Directors

The Board of Directors consists of 11 Directors (including 2 Outside Directors) and is attended by 5 Audit & Supervisory Board Members (including 3 Outside Audit & Supervisory Board Members). It is convened once a month as a general rule. The Board of Directors determines management policies and business execution policies in relation to business in general, oversees the execution of duties by Directors, actively exchanges opinions and endeavors to make decisions in a precise and speedy fashion.

8 out of 11 Directors are involved in business execution, and 3 Directors (1 Supreme Advisor, 2 Outside Directors) do not engage in business execution.

(ii) Executive Officers

The Company has an executive officer system by which decisions are made by the President and Representative Director or the Board of Directors, and business is executed by the Executive Officers. The system strengthens field divisions and enhances the service system for customers by expediting business execution and clarifying responsibilities and authority.

There are 24 Executive Officers, including 8 Directors.

(iii) Audit & Supervisory Board Members and Audit & Supervisory Board

[English Translation]

The Audit & Supervisory Board consists of 5 Audit & Supervisory Board Members, consisting of 2 Full-time Audit & Supervisory Board Members and 3 Outside Audit & Supervisory Board Members. It is convened once a month as a general rule.

For the office of Full-time Audit & Supervisory Board Member, the Company appoints persons who are well versed in the Company's business, internal affairs and finance. For the office of Outside Audit & Supervisory Board Members, the Company appoints persons who are independent from the management, have considerable knowledge of management, legal matters, finance and other fields and are capable of providing appropriate oversight and supervision of management.

Audit & Supervisory Board Members attend almost every meeting of the Board of Directors in addition to other important conferences, exchange opinions relating to corporate management in general, receive reports on the status of execution of duties from Directors etc. and conduct audits focusing on whether there are any facts of violations of laws, regulations, the Articles of Incorporation or shareholders' interests.

The Audit & Supervisory Board also conducts audits on operations in general within the Company as well as its subsidiaries and affiliates according to the audit plan.

Major Activities in the current fiscal year

- (i) Audit & Supervisory Board Members' attendance rate at meetings of the Board of Directors: 98.3%
- (ii) Audit & Supervisory Board Members' attendance rate at meetings of the Audit & Supervisory Board: 98.3%
- (iii) Conducted interviews with Directors etc. of the Company and its subsidiaries and affiliates: 59 times
- (iv) Conducted on-site audits at business locations of the Company, its subsidiaries, affiliates, etc.: 181 locations

(2) Coordination among Organizations and Business Units

- (i) Periodic Meetings among Representative Director, etc. and Audit & Supervisory Board Members:
Audit & Supervisory Board Members hold meetings with the President and Representative Director with the presence of Chairman and Director periodically (once a month). At the meeting, Audit & Supervisory Board Members report the results of audits etc. and exchange opinions on important issues regarding management, to share mutual recognition.
- (ii) Conferences etc. among Audit & Supervisory Board Members and the Accounting Auditor:
Audit & Supervisory Board Members hold periodical meetings with the Accounting Auditor 6 times a year and have ones additionally as necessary, and exchange opinions and information. Audit & Supervisory Board Members and the Audit & Supervisory Board receive explanation and exchange opinions regarding the audit plan and audit results* from the Accounting Auditor. In addition, Audit & Supervisory Board Members present themselves as a witness during visiting audits and audit review conducted by the Accounting Auditor as necessary. (Attended 22 times in the current fiscal year)
* including the result of quarterly reviews and audit under the Companies Act.
- (iii) Cooperation with Internal Audit Division etc.:
Audit & Supervisory Board Members hold conferences with the Audit and Compliance Department periodically (once a month), are reported to on audit results and exchange opinions with them. Audit & Supervisory

Board Members endeavor to conduct audits in an efficient manner such as requesting the internal audit division etc. to conduct an investigation as necessary.

Consolidated Balance Sheet

(As of March 31, 2014)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets:	558,574	Current liabilities:	256,684
Cash on hand and in banks	210,514	Notes and accounts payable, trade	49,409
Cash deposits for armored car services	58,597	Bank loans	52,120
Call loans	20,500	Current portion of straight bonds	4,640
Notes and accounts receivable, trade	115,318	Lease obligations	579
Due from subscribers	25,174	Payables – other	31,316
Short-term investments	12,955	Accrued income taxes	27,744
Lease receivables and investment in leased assets	33,188	Accrued consumption taxes	4,151
Inventories	35,345	Accrued expenses	4,625
Real estate inventories	15,429	Deferred revenue	31,027
Deferred income taxes	13,254	Accrued bonuses	14,437
Short-term loans receivable	2,699	Reserve for losses on construction contracts	1,981
Other	17,623	Other	34,649
Allowance for doubtful accounts	(2,026)	Long-term liabilities:	241,171
Fixed assets:	769,633	Straight bonds	7,796
Tangible assets:	360,833	Long-term loans	17,256
Buildings and improvements	153,278	Lease obligations	4,183
Security equipment and control stations	68,759	Guarantee deposits received	36,542
Land	113,946	Deferred income taxes	11,169
Other	24,849	Accrued retirement benefits for directors and audit & supervisory board members	1,635
Intangible assets:	53,596	Net defined benefit liability	18,569
Software	12,188	Investment deposits by policyholders, unearned premiums and other insurance liabilities	141,099
Goodwill	19,951	Other	2,918
Other	21,457	Total liabilities	497,856
Investments and others:	355,203	<u>NET ASSETS</u>	
Investment securities	246,233	Shareholders' equity:	732,036
Long-term loans receivable	45,701	Common stock	66,377
Long-term prepaid expenses	22,154	Capital surplus	83,054
Net defined benefit asset	17,612	Retained earnings	656,286
Deferred income taxes	13,521	Common stock in treasury, at cost	(73,682)
Other	26,332	Accumulated other comprehensive income:	(1,921)
Allowance for doubtful accounts	(16,352)	Unrealized gains on securities	12,504
Deferred assets:	17	Deferred losses on hedges	(33)
Other	17	Foreign currency translation adjustments	(10,885)
		Remeasurements of defined benefit plans, net of taxes	(3,506)
		Minority interests in subsidiaries:	100,253
		Total net assets	830,369
TOTAL ASSETS	1,328,226	TOTAL LIABILITIES AND NET ASSETS	1,328,226

Consolidated Statement of Income

(Fiscal Year from April 1, 2013 to March 31, 2014)

(Millions of Yen)

ITEM	AMOUNT	
Revenue		822,228
Costs of revenue	542,949	
Gross profit		279,278
Selling, general and administrative expenses	159,259	
Operating profit		120,018
Non-operating income:		
Interest income	820	
Dividends income	748	
Gain on sales of investment securities	1,144	
Net gains from investment in affiliates accounted for under the equity method	3,864	
Gain on private equity investments	4,041	
Other	2,481	13,100
Non-operating expenses:		
Interest expenses	1,012	
Loss on sales of investment securities	97	
Loss on sales and disposal of fixed assets	2,994	
Write-off of long-term prepaid expenses	725	
Other	1,611	6,441
Ordinary profit		126,677
Extraordinary profit:		
Reversal of allowance for doubtful accounts	630	
Gain on sale of shares of subsidiaries and affiliates	432	
Gain on redemption of investment securities	284	
Gain on return of reserve	233	
Gain on sales of investment securities	185	
Gain on negative goodwill	94	
Gain on sales of fixed assets	51	
Other	111	2,025
Extraordinary losses:		
Impairment losses on fixed assets	3,081	
Loss on revaluation of investment securities	44	
Loss on sales of fixed assets	34	
Other	716	3,876
Income before income taxes		124,826
Income taxes- current	48,485	
Income taxes - deferred	(2,110)	46,375
Net income before minority interests in subsidiaries		78,451
Minority interests in subsidiaries		8,574
Net income		69,876

Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2013 to March 31, 2014)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury, at cost	Total shareholders' equity
Balance at the beginning of the fiscal year	66,377	83,054	609,275	(73,664)	685,042
Change in the fiscal year:					
Cash dividends			(22,918)		(22,918)
Net income			69,876		69,876
Purchase of treasury stock				(18)	(18)
Disposal of treasury stock		0		0	0
Change of scope of consolidation			52		52
Net changes of items other than shareholders' equity					
Total changes in the fiscal year	-	0	47,011	(17)	46,993
Balance at the end of the fiscal year	66,377	83,054	656,286	(73,682)	732,036

	Accumulated other comprehensive income					Minority interests in subsidiaries	Total net assets
	Unrealized gains on securities	Deferred losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	11,783	(41)	(27,760)	-	(16,018)	95,114	764,139
Change in the fiscal year:							
Cash dividends							(22,918)
Net income							69,876
Purchase of treasury stock							(18)
Disposal of treasury stock							0
Change of scope of consolidation							52
Net changes of items other than shareholders' equity	720	7	16,875	(3,506)	14,097	5,139	19,236
Total changes in the fiscal year	720	7	16,875	(3,506)	14,097	5,139	66,229
Balance at the end of the fiscal year	12,504	(33)	(10,885)	(3,506)	(1,921)	100,253	830,369

Non-Consolidated Balance Sheet

(As of March 31, 2014)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets:	202,248	Current liabilities:	120,976
Cash on hand and in banks	80,908	Accounts payable	3,429
Cash deposits for armored car services	56,818	Bank loans	36,703
Notes receivable	683	Lease obligations	176
Due from subscribers	14,991	Payables – other	14,546
Accounts receivable, trade	9,960	Accrued income taxes	12,366
Receivables – other	2,699	Accrued consumption taxes	1,478
Short-term investments	437	Accrued expenses	802
Merchandise	5,489	Deposits received	17,870
Supplies	1,303	Deferred revenue	21,301
Prepaid expenses	2,109	Payables – construction	4,218
Deferred income taxes	4,382	Accrued bonuses	6,246
Short-term loans receivable	20,653	Other	1,834
Other	2,031		
Allowance for doubtful accounts	(221)		
Fixed assets:	570,662	Long-term liabilities:	24,692
Tangible assets:	119,644	Lease obligations	2,747
Buildings and improvements	17,466	Guarantee deposits received	17,622
Automobiles	865	Deferred income taxes	307
Security equipment and control stations	66,683	Accrued pension and severance costs	3,555
Machinery and equipment	232	Other	459
Tools, furniture and fixtures	2,922		
Land	29,520	Total liabilities	145,668
Construction in progress	1,848	<u>NET ASSETS</u>	
Other	105	Shareholders' equity:	624,768
Intangible assets:	8,286	Common stock	66,377
Goodwill	2,607	Capital surplus:	83,054
Software	3,910	Additional paid-in capital	83,054
Other	1,768	Other capital surplus	0
Investments and others:	442,730	Retained earnings:	549,018
Investment securities	23,789	Legal reserve	9,028
Investment in subsidiaries and affiliates	240,835	Other retained earnings	539,990
Long-term loans receivable	143,741	Reserve for system developments	800
Lease deposits	7,553	General reserve	2,212
Long-term prepaid expense	20,780	Accumulated earnings carried forward	536,978
Prepaid pension and severance costs	16,962	Common stock in treasury, at cost	(73,682)
Insurance funds	3,988	Valuation, translation adjustments and others:	2,473
Other	2,777	Unrealized gains on securities	2,473
Allowance for doubtful accounts	(17,698)	Total net assets	627,242
TOTAL ASSETS	772,910	TOTAL LIABILITIES AND NET ASSETS	772,910

Non-Consolidated Statement of Income

(Fiscal Year from April 1, 2013 to March 31, 2014)

(Millions of Yen)

ITEM	AMOUNT	
Revenue		364,280
Costs of revenue	215,849	
Gross profit		148,431
Selling, general and administrative expenses	75,521	
Operating profit		72,909
Non-operating income:		
Interest income	1,829	
Dividends income	8,002	
Other	438	10,269
Non-operating expenses:		
Interest expenses	304	
Loss on sales and disposal of fixed assets	2,808	
Write-off of long-term prepaid expenses	642	
Other	540	4,295
Ordinary profit		78,884
Extraordinary profit:		
Gain on redemption of investment securities	284	
Gain on sales of investment securities	185	
Other	21	491
Extraordinary losses:		
Provision for allowance for doubtful accounts	1,198	
Impairment losses on fixed assets	397	
Other	9	1,604
Income before income taxes		77,771
Income taxes - current	25,617	
Income taxes - deferred	655	26,273
Net income		51,497

Non-Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2013 to March 31, 2014)

(Millions of Yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Balance at the beginning of the fiscal year	66,377	83,054	-	83,054
Change in the fiscal year:				
Cash dividends				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			0	0
Net changes of items other than shareholders' equity				
Total changes in the fiscal year	-	-	0	0
Balance at the end of the fiscal year	66,377	83,054	0	83,054

	Shareholders' equity				
	Retained earnings				
	Legal reserve	Other retained earnings			Total retained earnings
Reserve for system developments		General reserve	Accumulated earnings carried forward		
Balance at the beginning of the fiscal year	9,028	800	2,212	508,398	520,439
Change in the fiscal year:					
Cash dividends				(22,918)	(22,918)
Net income				51,497	51,497
Purchase of treasury stock					
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Total changes in the fiscal year	-	-	-	28,579	28,579
Balance at the end of the fiscal year	9,028	800	2,212	536,978	549,018

(Millions of Yen)

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Common stock in treasury, at cost	Total shareholders' equity	Unrealized gains on securities	Total valuation, translation adjustments and others	
Balance at the beginning of the fiscal year	(73,664)	596,206	2,905	2,905	599,112
Change in the fiscal year:					
Cash dividends		(22,918)			(22,918)
Net income		51,497			51,497
Purchase of treasury stock	(18)	(18)			(18)
Disposal of treasury stock	0	0			0
Net changes of items other than shareholders' equity			(432)	(432)	(432)
Total changes in the fiscal year	(17)	28,561	(432)	(432)	28,129
Balance at the end of the fiscal year	(73,682)	624,768	2,473	2,473	627,242

Certified Copy of the Accounting Auditor's Report (Consolidated)

[English Translation of the Accounting Auditor's Report Originally Issued in the Japanese Language]

Independent Auditor's Report

May 16, 2014

The Board of Directors
SECOM Co., Ltd.

KPMG AZSA LLC

Masakazu Hattori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hideki Yoshida (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of SECOM Co., Ltd. as at March 31, 2014 and for the year from April 1, 2013 to March 31, 2014 in accordance with Article 444, Paragraph 4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control

[English Translation]

relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of SECOM Co., Ltd. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Certified Copy of the Accounting Auditor's Report (Non-Consolidated)

[English Translation of the Accounting Auditor's Report Originally Issued in the Japanese Language]

Independent Auditor's Report

May 16, 2014

The Board of Directors
SECOM Co., Ltd.

KPMG AZSA LLC

Masakazu Hattori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hideki Yoshida (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of SECOM Co., Ltd. as at March 31, 2014 and for the 53rd business year from April 1, 2013 to March 31, 2014 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and

[English Translation]

the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of SECOM Co., Ltd. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Certified Copy of the Audit & Supervisory Board's Report

[English Translation of the Audit & Supervisory Board's Report Originally Issued in the Japanese Language]

Audit Report

May 19, 2014

Mr. Shuji Maeda
President and Representative Director
SECOM Co., Ltd.

Audit & Supervisory Board of
SECOM Co., Ltd.

Seiji Sakamoto (Seal)
Audit & Supervisory Board
Member (Full-time)

Katsuhisa Kuwahara (Seal)
Audit & Supervisory Board
Member (Full-time)

Ken Tsunematsu (Seal)
Outside Audit & Supervisory
Board Member

Hideki Kato (Seal)
Outside Audit & Supervisory
Board Member

Kenichi Sekiya (Seal)
Outside Audit & Supervisory
Board Member

The Audit & Supervisory Board has received the audit reports of the performance of duties of the Directors during the 53rd business term from April 1, 2013 through March 31, 2014 from each of the Audit & Supervisory Board Members. After deliberating such reports, we have prepared this Audit Report and report as follows:

1. Method and Details of Audit Performed by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board has established the audit policy and audit plan for the current fiscal year, received reports on the status and results of audits from each Audit & Supervisory Board Member, received reports on the status of execution of duties from Directors, etc. and the Accounting Auditor, and requested explanations when necessary.

Each of the Audit & Supervisory Board Members, in accordance with the audit policy, audit plan, etc. of the current fiscal year set up by the Audit & Supervisory Board, worked to communicate with Directors, the internal audit division and other employees, etc., and made efforts to gather information and establish the audit environment, in addition to attending the meetings of the Board of Directors and other important meetings, receiving reports from the Directors and other managers, etc. on their duties, requesting explanations when necessary, inspecting documents concerning matters such as important decisions, and investigating the conditions of the business and financial conditions at the head office and the principal offices. Also, the Audit & Supervisory Board Members, on a regular basis, received from Directors and employees, etc. reports on the establishment and operation of the system (internal control system) based on the

[English Translation]

resolution of the Board of Directors as stipulated in Article 100, Paragraph 1 or Paragraph 3 of the Companies Act Enforcement Order to ensure the execution of the duties of Directors as described in the Business Report complies with laws and regulations and the Articles of Incorporation and to ensure appropriate company operation, obtained explanation from them, and expressed opinions when necessary.

Furthermore, we received reports from Directors, etc. and the Accounting Auditor on the status of discussions between them and the status of evaluation and audit of the internal control on financial reporting, and requested their reports as necessary.

We worked to communicate and exchange information with the Directors and Audit & Supervisory Board Members, etc. of subsidiaries and received reports on operations from subsidiaries.

On the basis of the forgoing procedures, the Audit & Supervisory Board has considered the Business Report and supplementary schedules.

Furthermore, in addition to monitoring and examining whether the Accounting Auditor maintained an independence and performed auditing appropriately, we received reports from the Accounting Auditor on the execution of their duties and requested explanations when necessary. In addition, we received notice from the Accounting Auditor that “The systems for ensuring the proper execution of duties” (set forth in each Item of Article 131 of the Ordinance for Corporate Accounting) is organized in accordance with the “Standards for Quality Control of Audit” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations when necessary. Based on the above methods, we examined the financial statements (balance sheet, statement of income, statement of changes in net assets and related notes), supplementary schedules and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and related notes) for the current fiscal year.

2. Result of audit

(1) Result of audit of business report etc.

- i) The Business Report and supplementary schedules fairly represent the condition of the Company in accordance with laws and regulations and the Articles of Incorporation of the Company.
- ii) We have determined that there were no serious occurrences of misconduct or violations of any laws or regulations or the Articles of Incorporation of the Company by any of the Directors in carrying out their duties.
- iii) We believe the contents of the resolution of the Board of Directors regarding the internal control system are appropriate. We found no matters to note regarding the execution of duties of Directors regarding the internal control system, as well as the internal control system regarding financial reporting.

(2) Result of audit of financial statements and supplementary schedules

In our opinion, the audit procedures and audit results of the Accounting Auditor KPMG AZSA LLC are appropriate.

(3) Result of audit of consolidated financial statements

In our opinion, the audit procedures and audit results of the Accounting Auditor KPMG AZSA LLC are appropriate.

End