



Makoto Iida
Founder

Looking to the future, we are working to expedite development efforts under the ALL SECOM banner to realize a broader range of services and systems that respond to increasingly diverse and sophisticated needs and position us for further growth.

Consolidated Operating Results

Buoyed by a weaker yen and rising share prices, the Japanese economy remained on a path of gradual recovery in the fiscal year ended March 31, 2015, despite waning consumer spending in the aftermath of Japan's consumption tax hike. This was due mainly to improvements in corporate earnings and in employment and personal income levels.

In this environment, we continued working toward the realization of our vision for the future, the Social System Industry, in line with our goal of providing safety and security, as well as comfort and convenience, wherever and whenever necessary. To this end, we responded to the needs of customers through the provision of high-grade services and systems in our security services segment, as well as in our other segments: fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services. We also pressed forward with efforts to apply the ALL SECOM concept, maximizing synergies among our various independent businesses to strengthen the Group as a whole, with a view to hastening our advance to a new stage of growth.

Consolidated net sales and operating revenue advanced 2.6%, or ¥24.1 billion, to ¥945.2 billion. Principal contributing factors included higher net sales and operating revenue in the security services and medical services segments—the former underpinned by increased revenue from on-line security systems and higher sales of large-scale security systems and security camera systems and the latter by the expansion and rebuilding of hospitals and a robust performance by the pharmaceuticals dispensing services business—and the inclusion of a full year of operating results for a subsidiary newly consolidated in the fourth quarter of the fiscal year ended March 31, 2014. Operating income rose 1.6%, or ¥1.9 billion, to ¥122.0 billion, bolstered by improvements in the insurance services and the security services segments ascribed to, respectively, a decline in losses incurred due to damage caused by natural disasters and the increase in net sales and operating revenue. Net income attributable to SECOM CO., LTD., was up 8.4%, or ¥6.2 billion, to ¥80.2 billion, owing mainly to the increase in operating income and to lower income taxes, which primarily reflected a statutory tax rate reduction that resulted from tax reform in Japan.

Enhancing Returns to Shareholders

We recognize that providing a fair return to shareholders is a crucial management task. In line with our basic policy of ensuring a consistent and stable distribution of profits, we determine our consolidated dividend payout ratio based on an overall assessment of trends in our consolidated operating performance. We make it a basic rule to distribute profits twice annually in the form of an interim dividend, introduced in the period under review, which is paid to shareholders of record as of September 30 each year and a year-end dividend, which is paid to shareholders of record as of March 31 the following year. The interim dividend is determined by the Board of Directors, while the year-end dividend is determined by shareholder vote at the General Meeting

of Shareholders. At the Ordinary General Meeting of Shareholders, held on June 25, 2015, management proposed and shareholders approved the payment of a year-end cash dividend of ¥65.00 per share. Together with an interim dividend of ¥60.00, dividends for the full term amounted to ¥125.00 per share, up ¥10.00 from the previous fiscal year.

In the period under review we also introduced a shareholder benefit program. Our objectives here were twofold, namely, to reward shareholders for their ongoing support and to deepen their understanding of what we do by giving them the opportunity to actually use SECOM products and services.

Understanding and Responding to Change

Needs for security, peace of mind, convenience and comfort are becoming more varied and sophisticated. Accordingly, we continue working to reinforce the three key components of our operating foundation, namely our technologies, our people and our operational structure, with the goal of building an ever-broader portfolio of services and systems that position us to respond in a timely manner to increasingly diverse needs. In our core commercial security services business, the importance of reducing operating costs and enhancing internal monitoring is growing, a trend that continues to encourage the adoption of our value-added security systems and security cameras, underscoring the importance of optimizing services to meet evolving needs.

In the period under review, we expanded sales of such high-value-added offerings as SECOM AX, a remote imaging on-line security system that features advanced image recognition technologies; SECOM LX, which combines on-line security and access control functions to facilitate efficient personnel management, thus reducing costs; and SECOM FX, an on-line security and facility control system.

Recent years have seen a sharp increase in the number of companies seeking to reinforce security and internal monitoring by installing safety and production management systems for factories and systems that prevent leaks of classified information and personal data. In response to such needs, we are actively proposing systems that combine security cameras and access control. We recently introduced SECOM NVR, a next-generation security camera system that also offers optional access to SECOM Image Archive Service, enabling subscribers to store camera images remotely at one of our data center facilities.

In the area of home security services, we continued to respond to growing needs for systems that enhance comfort and convenience and provide security and peace of mind, as a result of which in June 2014 the number of households in Japan that have installed SECOM Home Security topped one million. We also sought to bolster sales of SECOM Home Security G-Custom, an on-line residential security system that includes a number of added features that enhance everyday convenience.

In our overseas security services business, we bolstered efforts to encourage broad acceptance of SECOM-style security services, focusing on the rapidly growing economies of Southeast Asia and the People's Republic of China (PRC). These include establishing a presence in Myanmar. "SECOM-style security services" is a term we use to describe comprehensive on-line security systems that encompass the installation of security equipment at the subscriber's premises, around-the-clock monitoring from a SECOM control center via telecommunications circuits and the prompt dispatch of highly trained emergency response personnel in the event an irregularity is detected.

In fire protection services, subsidiaries Nohmi Bosai Ltd. and Nittan Co., Ltd., two of Japan's leading fire protection services providers, leverage their respective business foundations and



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product development capabilities to provide high-grade automatic fire alarm systems and fire extinguishing equipment, among others. Both companies also took steps to fortify their overseas operations, such as introducing new products and strengthening collaboration with our security services business.

Efforts in our medical services business continued to concentrate on Home Medical Services, which comprise home nursing and pharmaceutical dispensing services, as well as on the operation of residences for seniors, electronic medical reporting systems, sales of medical equipment and pharmaceuticals, personal care services and support for associated hospitals. In addition, we promoted initiatives directed at addressing needs engendered by Japan's super-aged society, such as opening SECOM Home Health Care Center Kamakura, a comprehensive senior care facility offering home nursing, home-based personal care, day services and home care support services, and Alive Shinagawa-Oi, an Alive Care Home series' nursing home in Tokyo that cooperates closely with local hospitals, commercial facilities and organizations to provide support services for seniors.

In our insurance services business, we promoted sales of our distinctive non-life insurance policies. These include the Security Discount Fire Policy, a fire insurance policy for commercial premises, and SECOM *Anshin* My Home, a comprehensive fire insurance policy for homes, both of which offer discounts to subscribers who have installed on-line security systems, recognizing the risk-mitigating factors of such systems; MEDCOM, an unrestricted cancer treatment policy that covers all treatment costs; and SECOM *Anshin* My Car, a comprehensive automobile insurance policy that includes access to on-site support services provided by our emergency response personnel in the event of an accident.

Our geographic information services business centers on the collection of geographic data from commercial satellite images, aerial photography and vehicle/ground surveying, which we integrate, process and analyze to provide geospatial information services to public sector entities—including national and local governments—and private-sector customers in Japan. We also extend these services to government agencies abroad, including those in emerging economies and developing countries. In the period under review, we sought to provide services that respond to increasing domestic and overseas needs for geospatial information associated with, among others, the construction and maintenance of critical infrastructure and the prevention and mitigation of disasters.

We are also known for our broad range of information and communication related services, which focus on data center services and encompass BCP support services, information security services and cloud-based services. In the period under review, we launched SECOM Premium Net, a system designed to protect against online banking scams, a mounting problem, and the SECOM Minutes Digitization Service, which enables companies to digitize the minutes of board of directors' meetings and entrust them to us for rigorously safe storage at one of our data center facilities.

Our real estate and other services business continued to emphasize the development and sale of condominiums equipped with distinctive security and contingency planning. Other services include real estate leasing, construction and installation.

ALL SECOM: The Way Forward

Guided by the ALL SECOM concept, we will press ahead with the development of innovative services that anticipate future needs in line with three key themes—security, a super-aged society and disaster preparedness/BCP/environmental preservation. One key to the success of this effort is our new SECOM Medical Support Center. The objective of this facility, which is staffed with nurses, public health counselors and dieticians and provides one-stop consultation on health

care, medical services, nursing care and personal care, is to accelerate efforts to develop new medical services. Established in line with our super-aged society theme, the SECOM Medical Support Center joins SECOM control centers (security) and the SECOM *Anshin* Information Center (disaster preparedness/BCP/environmental preservation). Going forward, we will accelerate collaboration among the three facilities under the ALL SECOM banner with the aim of enhancing comfort and convenience and ensuring security and peace of mind.

We remain committed to providing uniquely SECOM services that respond to evolving social imperatives and increasingly diverse customer needs. For example, we are broadening our selection of IC chip-embedded ID card services, which includes employee ID cards that allow meticulous access control and management of employee attendance, as well as cashless payment at, for example, company cafeterias—all of which can help reduce costs and improve operational efficiency—our offerings now include cloud-based services and information security services.

In October 2015, Japan will introduce the My Number social security and tax identity system, under which every resident of the country will be assigned a personal ID number. With the implementation of this system, companies will be required to collect and manage ID numbers of all of their employees for procedures related to social security, income tax and disaster relief. We have already introduced the SECOM *Anshin* My Number Service, which enables subscribers to entrust employee My Number data to us for storage at a Secure Data Center facility, thereby ensuring robust physical and cyber security.

Another recent highlight was the establishment of SECOM Lifestyle Partner Kugayama, a facility designed to help resolve a variety of worries for seniors, a key challenge in a super-aged society. Under the ALL SECOM banner, SECOM Lifestyle Partner Kugayama is collaborating with other SECOM Group facilities in the Kugayama area, as well as with local authorities and private-sector businesses, to enhance its menu of support services that help local seniors deal with issues of concern in their lives. Recognizing demographic trends in Japan as an opportunity for growth, we will direct our efforts toward creating new services that address the needs of Japan's rapidly aging population.

By rallying the capabilities of the SECOM Group, guided by the ALL SECOM concept, we will step up efforts to develop forward-looking services and systems that respond to evolving social imperatives. Through these efforts, we will continue to encourage people to turn to SECOM with the confidence that doing so will help them resolve security and other concerns. Looking ahead, our focus will be on making SECOM an ever-present and trusted part of our customers' lives.

In line with our corporate message—"Providing reliable peace of mind"—we will accelerate the realization of our Social System Industry vision by providing indispensable services that fulfill the promise of the ALL SECOM concept. In all of our endeavors, we look forward to the ongoing support of shareholders.

June 25, 2015



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