



## **Notice of Convocation**

*The 51st Ordinary General Meeting of Shareholders*

The following is an English translation of the Notice of Convocation of the 51st Ordinary General Meeting of Shareholders of SECOM CO., LTD. to be held on June 26, 2012, 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.

Stock Exchange Code: 9735  
June 4, 2012

## **Notice of Convocation of The 51st Ordinary General Meeting of Shareholders**

Dear Shareholders:

You are cordially invited to attend the 51st Ordinary General Meeting of Shareholders of SECOM CO., LTD. (the "Company").

**If you are unable to attend the aforesaid meeting, you can exercise your votes 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 25, 2012 (Monday):**

### **[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 aforesaid deadline.**

### **[Exercising voting rights via the Internet]**

**Please access the website for the exercise of voting rights (<http://evote.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 on or before the aforesaid deadline.**

Yours very truly,

**SECOM CO., LTD.**

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

By: SHUJI MAEDA

President and Representative Director

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

[English Translation]

## PARTICULARS

**1. Date and Time of the Meeting:**

Tuesday, June 26, 2012 at 10:00 a.m.

**2. Place of the Meeting:**

Bersarle Hanzomon, Sumitomo Fudosan Hanzomon-Ekimaie  
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 51st Fiscal Year (from April 1, 2011 to March 31, 2012) and the Results on the Audits of Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors.
2. Report on the Non-Consolidated Financial Statements for the 51st Fiscal Year (April 1, 2011 to March 31, 2012).

**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**

**Fourth Item of Business: Election of Two (2) Corporate Auditors**

**Fifth Item of Business: Presentation of Retirement Allowances to Retiring Directors and Retiring Corporate Auditors**

**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 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.

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(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
  - 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 "Stocks and Bonds" section)

The Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Accounting Auditor and the Board of Corporate Auditors 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 is any amendment 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 "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 a 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. 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 contractors, research and development and investments and the like for strategic businesses so that the Company will exert its efforts to strengthen the corporate structure and to expand its business.

It is proposed that, based on the aforesaid basic policy, cash dividends for the fiscal year under review be YEN 90 per share to reward shareholders' continued support.

Matters related to the year-end dividend:

- (1) Kind of assets distributed:  
Cash
- (2) Matters related to distribution of cash and total amount:  
YEN 90 per share of common stock of the Company  
The total amount: YEN 19,644,392,340
- (3) Effective date for distribution of surplus:  
June 27, 2012

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

1. Reasons for amendments
  - (1) Amendments of Purpose  
Article 2 (Purpose) is proposed to be amended so that the content of business may be definitively stated to reflect the current status of SECOM Group business.
  - (2) Amendments of the provisions relating to the election of Representative Directors and Directors with Special Titles.  
Article 24 (Representative Directors and Directors with Special Titles) is proposed to be amended so that management of the Board of Directors may be made more flexible.
2. Details of amendments  
The details of amendments are as follows:

(The underlined parts are changed parts.)

Current Articles of Incorporation	Proposed Changes
<p>(Purpose)            Article 2 The purpose of the Company shall be to engage in the following business:</p> <ol style="list-style-type: none"> <li>1. Business relating to contracting to provide security protection and ensuring such protection;</li> <li>2. Business relating to inspection, guidance, advice and publishing concerning security protection and safety;</li> <li>3. Business relating to development, manufacture, leasing, sales and operation of equipment, devices and security systems etc., related to prevention of crimes and fire, protection from disasters, emergency aid and safety;</li> <li>4. Business of escorted transportation of cash and valuables, and ground transportation business for such purpose;</li> <li>5. Business relating to contracting for management and security of buildings, facilities and vehicles, and maintenance and repair thereof;</li> <li>6. Business of designing, administrating, executing and maintaining of electric installation work, telecommunications installation work, construction work, fire extinguishing facilities work and other works;</li> <li>7. Business relating to information processing, data base and other information services, and loans;</li> <li>8. Business relating to telecommunications and broadcasting;</li> <li>9. Business relating to investigation, research, consulting and guidance in business management;</li> <li>10. Business relating to life insurance and non-life insurance agency services;</li> </ol>	<p>(Purpose)            Article 2 The purpose of the Company shall be to engage in the following business:</p> <p>Item 1 to Item 17 are the same as current.</p>



<p>11. Business relating to development, manufacture, leasing, and sales of appliances for education, medical treatment and health;</p> <p>12. Business relating to nursing services and home care service outside of hospital, and management of pharmacies;</p> <p>13. Business relating to development, manufacture, leasing, and sales of water purification and gas exhaust filtering equipment;</p> <p>14. Business relating to the management of hotels, food and beverage establishments, sports facilities as well as rest centers and other welfare facilities, and business related to travel;</p> <p>15. Business relating to sales and purchasing, rental, brokering, and management of real estate;</p> <p>16. Business relating to aerial surveying and mapping services;</p> <p>17. Business relating to mail-order;</p> <p>18. The processing, planning, and sale of agricultural products;</p> <p>19. Banking agent business; (Newly established)</p> <p><u>20.</u> Any and all business incidental or related to the foregoing items.</p> <p>(Representative Directors and Directors with Special Titles)</p> <p>Article 24 The Board of Directors shall, by its resolution, elect <u>not more than three (3) Representative Directors from among the Directors.</u></p> <p>2. The Board of Directors shall, by its resolution, appoint <u>one (1) Chairman and Director and one (1) President and Director.</u> In addition to the foregoing, the Board of Directors may appoint</p>	<p>18. The processing, planning, and sale of agricultural products <u>and the industrial production and sales of plants for medical or edible purpose;</u></p> <p>Item 19 is the same as current.</p> <p><u>20. Business relating to serving household matters and house cleaning;</u></p> <p><u>21.</u> Any and all business incidental or related to the foregoing items.</p> <p>(Representative Directors and Directors with Special Titles)</p> <p>Article 24 The Board of Directors shall elect Representative Directors by its resolution.</p> <p>2. The Board of Directors shall, by its resolution, appoint one (1) President and Director. In addition to the foregoing, the Board of Directors may appoint <u>one (1) Chairman and Director.</u></p>
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one (1) or more Executive Vice Chairmen and Directors, Executive Vice Presidents and Directors, Senior Executive Directors and Executive Directors.	<u>and</u> one (1) or more Executive Vice Chairmen and Directors, Executive Vice Presidents and Directors, Senior Executive Directors and Executive Directors.
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### Third Item of Business: Election of Eleven (11) Directors

The term of office of all of the ten (10) Directors will expire at the close of this Meeting. Director, Mr. Fumio Obata resigned on March 31, 2012. Therefore, it is proposed to reelect eight (8) Directors and newly elect three (3) Directors.

The candidates are as follows:

No.	Name (Date of Birth)	Summary of Career, Title and Responsibility, and Important Position of Other Organization Concurrently Assumed	The Number of Shares Held
1	Makoto Iida (April 1, 1933)	Jul 1962 President and Representative Director (Founder) Feb 1976 Chairman and Representative Director Jun 1997 Supreme Advisor and Director (currently)	4,320,500
2	Juichi Toda (March 7, 1932)	Jul 1962 Senior Executive Director (Co-founder) Feb 1976 Executive Vice Chairman and Representative Director Jun 1997 Supreme Advisor and Director (currently)	3,152,216
3	Shohei Kimura (May 2, 1943)	Apr 1967 Joined SECOM Co., Ltd. Feb 1985 Director Feb 1988 Executive Director Jun 1995 Senior Executive Director Apr 2002 President and Representative Director Jun 2004 President and Representative Director and Executive Officer Apr 2005 Chairman and Director (currently) (Important position of other organization concurrently assumed) Chairman, All Japan Security Service Association Outside Corporate Auditor, Secom General Insurance Co., Ltd.	38,600
4	Kanemasa Haraguchi (August 7, 1950)	Apr 1974 Joined SECOM Co., Ltd. Jun 1990 Director Jun 1995 Executive Director Jun 1997 Senior Executive Director Jun 2002 Director and Executive Vice President Jun 2004 Director and Executive Vice President and Executive Officer Apr 2005 President and Representative Director Jan 2010 Executive Vice Chairman and Director (currently) (Important position of other organization concurrently assumed) Outside Director, Secom Joshinetsu Co., Ltd. Outside Director, Toyo Tec Co., Ltd.	11,344

No.	Name (Date of Birth)	Summary of Career, Title and Responsibility, and Important Position of Other Organization Concurrently Assumed	The Number of Shares Held
5	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 (currently)	6,700
6	Koichi Sato (February 5, 1953) *	Apr 1976    Joined SECOM Co., Ltd. Jun 2004    Executive Officer Jun 2005    Managing Executive Officer Jun 2007    Executive Director Jun 2008    President and Representative Director, Secom Joshinetsu Co., Ltd. Jun 2009    Chairman and Director, Secom Joshinetsu Co., Ltd. Jun 2009    Executive Vice President and Director (currently) (Important position of other organization concurrently assumed) Outside Director, Nohmi Bosai Ltd.	3,388
7	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)	3,000
8	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.) (currently) Jun 2004    Executive Officer Jun 2009    Executive Director (currently) (Important position of other organization concurrently assumed) President and Representative Director, Secom Trust Systems Co., Ltd.	4,300
9	Kazuaki Anzai (January 14, 1952) * <span style="border: 1px solid black; padding: 2px;">New Candidate</span>	Apr 1975    Joined Fuji Bank, Ltd. (presently Mizuho Bank, Ltd.) 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 (General Manager, Sales Division) (currently)	284

No.	Name (Date of Birth)	Summary of Career, Title and Responsibility, and Important Position of Other Organization Concurrently Assumed	The Number of Shares Held
10	Yasuyuki Yoshida (March 28, 1958) * New Candidate	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. (currently) Jun 2010    Outside Corporate Auditor, Secom Joshinetsu Co., Ltd. Jun 2010    Group companies supervisor (currently)	800
11	Junzo Nakayama (February 24, 1958) New Candidate	Mar 1980    Joined SECOM Co., Ltd. Nov 1999    President and Representative Director, Japan Image Communications Co., Ltd. Sep 2009    Positioned in Personnel Department 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 (currently)	0

(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.

#### Fourth Item of Business: Election of Two (2) Corporate Auditors

Corporate Auditors Messrs. Teruo Ogino and Hiroshi Yasuda will resign as Corporate Auditors at the close of this Meeting. It is proposed to elect two (2) Corporate Auditors to substitute the remaining term of the resigning Corporate Auditors.

Moreover, the consent of the Board of Corporate Auditors has been obtained for this Item of Business.

In the event that the two candidates are elected as Corporate Auditors, their term shall expire at the close of the Ordinary General Meeting of Shareholders to be held in June 2015 as regulated in the Articles of Incorporation.

The candidates are as follows:

No.	Name (Date of Birth)	Summary of Career, Title and Responsibility, and Important Position of Other Organization Concurrently Assumed	The Number of Shares Held
1	Katsuhisa Kuwahara (May 9, 1948) New Candidate	Apr 1971    Joined SECOM Co., Ltd. Jun 1990    Director Jun 1995    Executive Director Jun 2004    Director and Managing Executive Officer Apr 2005    Executive Director (currently)	3,700

[English Translation]

No.	Name (Date of Birth)	Summary of Career, Title and Responsibility, and Important Position of Other Organization Concurrently Assumed	The Number of Shares Held
2	Hideki Kato (January 5, 1950) <u>New Candidate</u>	<p>Apr 1973    Joined the Ministry of Finance</p> <p>Jul 1990    Director, Planning Office, Secretariat, the Fair Trade Commission</p> <p>Sep 1996    Retired the Ministry of Finance</p> <p>Apr 1997    Founded Japan Initiative, a policy think tank, and became Representative (currently)</p> <p>Apr 2006    Chairman, the Tokyo Foundation, an incorporated foundation (presently a public interest incorporated foundation)</p> <p>Jun 2006    President, Shikoku Minka Museum, an incorporated foundation (presently a public interest incorporated foundation) (currently)</p> <p>Oct 2009    Member and Director-General, Government Revitalization Unit (currently)</p> <p>Apr 2010    President, the Tokyo Foundation, a public interest incorporated foundation (currently)</p> <p>May 2012    Member, Advisory Committee for Administrative Reform (currently)</p>	0

(Notes)

1. The Company pays a membership fee to Japan Initiative, a non-profit independent policy think tank, the president of which is Mr. Hideki Kato. There is no particular interest between the Company and Mr. Katsuhisa Kuwahara.
2. Mr. Hideki Kato is a candidate for Outside Corporate Auditor.
3. Reason for election of a candidate for Outside Corporate Auditor: Mr. Hideki Kato has experienced engagement in the execution of national policies while in office of the Ministry of Finance, the Fair Trade Commission, etc., as well as in the realization of a number of projects at Japan Initiative, a policy think tank. Based on such engagement and experience, the Company expects that he will superintend the overall management of the Company and provide useful advice to the Company from a wide range of his views. Accordingly, the Company proposes its shareholders to elect him as Outside Corporate Auditor.
4. Reason why the Company made judgment that the candidate may duly discharge duties as Outside Corporate Auditor: Mr. Hideki Kato has not engaged directly in management of companies, but is acquainted with knowledge on finance and accounting to the reasonable extent through the engagement in finance while in office of the Ministry of Finance, as well as through presentations with respect to the public accounting system reviewing administrative services from the viewpoint of balance sheets as one of activities of the aforesaid think tank. Accordingly, the Company deems him to be able to duly discharge duties as Outside Corporate Auditor.
5. In the event that Mr. Hideki Kato assumes office as Corporate Auditor, the Company is scheduled to enter into a contract for limitation of liability with him to limit his liability for damages set forth in Article 423, Paragraph 1 of the Companies Act, pursuant to Article 427, Paragraph 1 of the Companies Act.

[English Translation]

The amount of his liability for damages stipulated in the contract is limited to the minimum amount set forth in Article 425, Paragraph 1 of the Companies Act.

**Fifth Item of Business: Presentation of Retirement Allowances to Retiring Directors and Retiring Corporate Auditors**

It is hereby proposed that retirement allowances be granted to Mr. Fumio Obata who resigned as Director as of March 31, 2012, Messrs. Katsuhisa Kuwahara and Takayuki Ito who will retire as Directors at the close of this Meeting due to the maturity of the term, and Messrs. Teruo Ogino and Hiroshi Yasuda who will resign as Corporate Auditors at the close of this Meeting, in appreciation of their services rendered while in office, each in a reasonable amount based on the established standards and practice of the Company, and that determination of the actual amount, the time and method of payment, and other relevant matters be left to the resolution of the Board of Directors in case of resigning Directors and consultation of Corporate Auditors in case of resigning Corporate Auditors.

Furthermore, since Mr. Takayuki Ito is scheduled to be an Executive Officer of the Company after the close of this Meeting, retirement allowance payable for services during office of Director will be paid together with retirement allowance payable during office of Executive Officer when he retires as Executive Officer.

The brief histories of the resigning Directors and resigning Corporate Auditors are as follows:

Name	Summary of Career of the Retiring Directors and Corporate Auditors	
Fumio Obata	Jun 2000 Jun 2009 Mar 2012	Assumed office of Director Assumed office of Senior Executive Director Resigned as Director
Katsuhisa Kuwahara	Jun 1990 Jun 1995 Jun 2004 Apr 2005	Assumed office of Director Assumed office of Executive Director Assumed office of Director and Managing Executive Officer Assumed office of Executive Director (currently)
Takayuki Ito	Jun 2007	Assumed office of Director (currently)
Teruo Ogino	Jun 2003	Assumed office of Full-time Corporate Auditor (currently)
Hiroshi Yasuda	Jun 2003	Assumed office of Corporate Auditor (currently)

[Attached Documents]

## Business Report (Fiscal Year Ended March 31, 2012)

### I. Outline of the Group's Business

#### 1. The Current Business Development and Results of Operations

During the fiscal year ended March 31, 2012 (“the current fiscal year”), whereas Japanese economy has indicated signs of gradual recovery from temporal economic retention caused by the Great East Japan Earthquake, future of Japanese economy still seems unpredictable owing to European credit concern, rise in oil price, appreciation of Japanese yen, deflation, etc.

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, real estate development and sales, and information and communication related and other services segments. In addition, aiming at our further growth, we enhanced “ALL SECOM,” the combination of all SECOM Group’s power to promote our synergies even more, with all segments standing on their own and promoting mutual cooperation.

As a result, consolidated revenue for the current fiscal year increased by 2.3% to YEN 679.1 billion, compared with the previous fiscal year. Consolidated operating profit, on the other hand, decreased by 18.2% to YEN 81.0 billion, attributable to the recognition of write-down on real estate inventories of YEN 20.7 billion; and consolidated ordinary profit also went down by 19.9% to YEN 87.8 billion. Net income went down by 41.7% to YEN 35.4 billion, due to impairment loss on fixed assets of YEN 8.1 billion, settlement regarding software related expense in Pasco Corporation of YEN 0.7 billion, etc., recognized in extraordinary losses.

(Millions of Yen)

	Revenue	Operating profit	Ordinary profit	Net income
Current fiscal year (FY2011)	679,173	81,078	87,839	35,489
Previous fiscal year (FY2010)	663,887	99,141	109,674	60,846

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 developed and dealt in systems and products, including “SECOM Home Security G-Custom,” which has a function of being entrusted with essential private information of customers, etc., reflecting the experience of the Great East Japan Earthquake, and also “My Page” function to promote relationship between business partners and customers. Also, we reinforced sales of security systems for rental housing, as well as reviewed door-to-door sales promotion thoroughly. Additionally, we enriched services integrated with all Group’s power, starting services to keep an eye on the aged living remote from customers, by combining on-line security systems with medical services and home services. Furthermore,

[English Translation]

we aimed at upgrading organizational management systems to provide services more suited to customer needs, including the merger of Secom Techno Service Co., Ltd., a consolidated subsidiary engaged in installation and maintenance of on-line security systems, etc., in July 2011, in order to make security services more efficient.

Outside Japan, through acquisition of local companies, we expanded into New Zealand and enhanced security services for financial institutions in the United Kingdom. We also promoted to make our security services more popular in economically developing areas, including People's Republic of China, Southeast Asia, etc.

As a result, revenue increased by 2.3% to YEN 424.2 billion and operating profit increased by 2.1% to YEN 100.6 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. Owing to the efforts of proactive business activities and improvement in profitability to satisfy market needs, despite the severe business environment, revenue increased by 7.3% to YEN 80.6 billion and operating profit increased by 43.0% to YEN 4.3 billion.

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, personal care services, and the leasing of real estate for medical institutions. In the current fiscal year, we strived to increase the number of residents in the residences for seniors opened in recent years and enriched medical services to accommodate ourselves to changes in society, by expanding various services for seniors, including increase in adult day service facilities for senior citizens as well as establishing a hub that provides integrally both home nursing services and home care services, etc.

Revenue increased by 7.4% to YEN 42.9 billion and operating profit increased by 47.4% to YEN 4.0 billion. These results were attributable to brisk revenue from home medical services.

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; 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; and MEDCOM, an unrestricted cancer treatment policy that offers compensation of actual cost of medical treatment.

Strong sales increased revenue by 6.7% to YEN 34.1 billion and operating loss of YEN 0.9 billion in the previous fiscal year turned into operating profit of YEN 47 million in the current fiscal year.

In the geographic information services segment, by exploiting up-to-date measuring machine and technologies, we provided geospatial information services for domestic national and local governmental agencies, private sectors, and foreign governmental agencies including emerging and developing countries. By collecting high-precision and clear geospatial photo data such as satellite images, and utilizing our data processing technologies, we also strived to provide a variety of services suited to our customers' needs, including mapping arrangement, environmental monitoring, fire protection, and measures to deal with natural calamities.

[English Translation]



Just after the Great East Japan Earthquake, by utilizing several satellites, we quickly provided Japanese government and related institutions with a variety of information related to widespread destruction caused by the Great East Japan Earthquake.

Revenue increased by 15.2% to YEN 50.1 billion owing to the contribution of a subsidiary newly consolidated in December 2010. Operating profit also increased by 7.4% to YEN 3.5 billion.

In the real estate development and sales segment, we devoted our best efforts to developing and selling condominiums equipped with advanced security and disaster prevention systems.

In the current fiscal year, since demand in the condominium market had not fully recovered, revenue went down by 52.8% to YEN 11.7 billion and we recognized write-down on real estate inventories of YEN 20.7 billion in costs of revenue. As a result, operating profit of YEN 0.4 billion in the previous fiscal year turned into operating loss of YEN 21.4 billion in the current fiscal year.

The information and communication related and other services segment covers information and communication related services, real estate leasing, etc. In the information and communication related services, we have continued striving to provide comprehensive information network services, focusing on information security, development and management of business systems and major-disaster response services. In the current fiscal year, we began to deal in “Total Support Service of Emergency Management,” which is to support for BCP (Business Continuity Plan) of clients when they encounter with contingency, by utilizing our entire Group’s power.

Revenue increased by 4.9% to YEN 35.2 billion, chiefly due to the increase in sales of information and communication related services, including those of Secure Data Center, and operating profit increased by 19.5% to YEN 4.1 billion.

#### Results by Business Segment (51st Fiscal Year – current fiscal year)

(Millions of Yen)

Business segment	Revenue			Operating profit (loss)
	Customers	Inter-segment	Total	
Security services	424,223	10,387	434,610	100,684
Fire protection services	80,677	4,092	84,770	4,367
Medical services	42,942	147	43,090	4,013
Insurance services	34,173	2,750	36,923	47
Geographic information services	50,173	215	50,388	3,591
Real estate development and sales	11,724	525	12,250	(21,461)
Information and communication related and other services	35,258	6,599	41,857	4,163
Total	679,173	24,718	703,892	95,406
Eliminations and corporate items	-	(24,718)	(24,718)	(14,328)
Consolidated revenue	679,173	-	679,173	81,078

With respect to the results by geographical segments, in Japan, revenue increased by 1.9% to YEN 650.4 billion. Overseas revenue increased by 12.8% to YEN 28.7 billion due to expansion into New Zealand and enhancement of security services for financial institutions in the United Kingdom, through acquisition of local companies.

## 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, mainly in our core security services, and also in fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services, which can help realize more secured, convenient, and comfortable society. Moreover, by combining these services and products, the Group endeavors to create and supply unique services and products. To this end, the Group, in November 2010, declared the slogan, "ALL SECOM," to further rally the 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 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. 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, while remaining committed to its efforts to pursue business efficiency through unremitting business improvements.

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

## 3. Capital Expenditures

Capital expenditures for the current fiscal year totaled YEN 56.4 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 36.8 billion.

Business segment	Amount (Millions of Yen)
Security services	36,886
Fire protection services	1,042
Medical services	1,665
Insurance services	633
Geographic information services	3,857
Real estate development and sales	18
Information and communication related and other services	12,949
Subtotal	57,053
Eliminations and corporate items	(650)
Total	56,402

## 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.

[English Translation]

## 5. Trends in Earnings and Assets

### (1) Trends in Earnings and Assets of the Group (Consolidated)

(Millions of Yen except for net income per share)

Fiscal years Category	48th fiscal year (4/1/2008– 3/31/2009)	49th fiscal year (4/1/2009– 3/31/2010)	50th fiscal year (4/1/2010– 3/31/2011)	51st fiscal year (current fiscal year) (4/1/2011– 3/31/2012)
Revenue	678,400	654,678	663,887	679,173
Operating profit	87,634	98,539	99,141	81,078
Ordinary profit	90,924	98,327	109,674	87,839
Net income	21,502	47,611	60,846	35,489
Net income per share (Yen)	96.69	218.37	279.07	162.63
Total assets	1,090,483	1,081,679	1,094,400	1,101,884
Net assets	582,608	625,153	654,055	671,517

### (2) Trends in Earnings and Assets of the Company (Non-Consolidated)

(Millions of Yen except for net income per share)

Fiscal years Category	48th fiscal year (4/1/2008– 3/31/2009)	49th fiscal year (4/1/2009– 3/31/2010)	50th fiscal year (4/1/2010– 3/31/2011)	51st fiscal year (current fiscal year) (4/1/2011– 3/31/2012)
Revenue	336,893	328,773	329,297	345,476
Operating profit	72,616	71,527	68,688	70,196
Ordinary profit	78,346	77,462	74,501	75,212
Net income	32,414	45,806	45,023	26,818
Net income per share (Yen)	145.76	210.09	206.50	122.90
Total assets	679,858	668,207	694,656	699,448
Net assets	504,932	532,931	558,417	567,758

In the current fiscal year, the Company's revenue increased by 4.9% to YEN 345.4 billion, operating profit increased by 2.2% to YEN 70.1 billion, ordinary profit increased by 1.0% to YEN 75.2 billion, and net income decreased by 40.4% to YEN 26.8 billion. Net income per share decreased to YEN 122.90 compared to YEN 206.50 in the previous fiscal year.

Contract revenue accounted for 86.7% of total revenue, or YEN 299.5 billion, and sale of products and equipment accounted for 13.3% of total revenue, or YEN 45.9 billion.

Revenue from centralized system contracts, which is the core of revenue and profit in contract revenue, recorded YEN 249.8 billion and accounted for 72.3% of total revenue. Static guard contracts generated revenue of YEN 24.9 billion, and revenue from armored car services came to YEN 17.2 billion. The remaining revenue amounted to YEN 7.5 billion, the majority of which came from management fees paid by subsidiaries and other companies.

Product sales totaled YEN 28.0 billion, 8.1% of total revenue, and equipment sales to subsidiaries and other companies totaled YEN 17.9 billion, 5.2 % of total revenue.

Costs of service and sales were YEN 203.3 billion, and sales and general administrative expenses were YEN 71.8 billion. As a result, operating profit recorded YEN 70.1 billion.

Non-operating income was YEN 8.0 billion, which included interest and dividends received, while non-operating expenses, including interest paid and losses on sales and disposal of fixed assets, totaled YEN 3.0 billion. As a result, ordinary profit was YEN 75.2 billion.

The Company posted gain on extinguishment of tie-in shares of YEN 22.9 billion under extraordinary profit as a result of the absorption-type merger of Secom Techno Service Co., Ltd. In terms of extraordinary losses, the Company posted a provision for allowance for doubtful accounts of YEN 5.6 billion on the long-term loans receivable to a consolidated subsidiary of the real estate development and sales segment and a debt-equity-swap loss of YEN 24.9 billion in relation to the conversion into equity of a part of the long-term loans receivable to this subsidiary for supporting its restructuring, owing to the write-down in real estate inventories on this subsidiary. Additionally an impairment loss on fixed assets of YEN 7.9 billion was recorded. As a result, net income came to YEN 26.8 billion.

#### Revenue by Business Category of the Company

Fiscal years Category		49th fiscal year (4/1/2009–3/31/2010)			50th fiscal year (4/1/2010–3/31/2011)			51st fiscal year (Current fiscal year) (4/1/2011–3/31/2012)		
		Amount (Millions of Yen)	%	Change (%)	Amount (Millions of Yen)	%	Change (%)	Amount (Millions of Yen)	%	Change (%)
Contract revenue	Centralized systems	240,417	73.1	(0.5)	239,311	72.7	(0.5)	249,817	72.3	4.4
	Static guard services	24,781	7.5	(4.0)	24,815	7.5	0.1	24,923	7.2	0.4
	Armored car services	17,040	5.2	(2.4)	16,973	5.1	(0.4)	17,276	5.0	1.8
	Other	9,086	2.8	(4.4)	9,151	2.8	0.7	7,506	2.2	(18.0)
	Subtotal	291,325	88.6	(1.0)	290,252	88.1	(0.4)	299,523	86.7	3.2
Sales	Products	26,788	8.2	(13.6)	27,808	8.5	3.8	28,034	8.1	0.8
	Equipment	10,659	3.2	(7.5)	11,236	3.4	5.4	17,917	5.2	59.5
	Subtotal	37,447	11.4	(11.9)	39,045	11.9	4.3	45,952	13.3	17.7
Total		328,773	100.0	(2.4)	329,297	100.0	0.2	345,476	100.0	4.9

## 6. 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
Secom Medical System Co., Ltd.	(Millions of Yen) 6,545	(%) 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 (72.91)	Surveying, measuring and geographic information system services
Secom Home Life Co., Ltd.	(Millions of Yen) 3,700	(%) 99.94 (99.95)	Development and sales of real estate
Secom Trust Systems Co., Ltd.	(Millions of Yen) 1,468	(%) 100.00 (100.00)	Information security services and software development
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.
3. The Company entered into a debt-equity-swap transaction in relation to a part of the long-term loans receivable to Secom Home Life Co., Ltd. for supporting its restructuring.
4. Secom Plc issued new shares of stock to a shareholder (cash contribution) in June 2011, resulting in an increase in its capital from 39,126 thousand pounds to 44,126 thousand pounds.
5. The Company merged Secom Techno Service Co., Ltd. on July 1, 2011.

## 7. Principal Business of the Group

The Group consists of the Company, 172 consolidated subsidiaries and 26 affiliates accounted for under the equity method. The principal business activities of the Group are as follows: Security Services centering on contracted security

[English Translation]

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; Real Estate Development and Sales centering on development and sales of condominiums; and Information and Communication Related and Other Services, including security network services, development and operation of business systems and information security services.

## 8. 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), Secom Medical System Co., Ltd. (Shibuya-ku, Tokyo), Secom General Insurance Co., Ltd. (Chiyoda-ku, Tokyo), Pasco Corporation (Meguro-ku, Tokyo), Secom Home Life Co., Ltd. (Shibuya-ku, Tokyo), Secom Trust Systems 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).

## 9. 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
34,063	256

(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
14,911	1,260	40.9	14.1

(Note)

1. The number of employees refers to the number of full-time employees.
2. The increase of employees is mainly due to the merger of the Company and Secom Techno Service Co., Ltd. on July 1, 2011.

## 10. Principal Lenders

(Millions of Yen)

Lenders	Balance
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,543
Mizuho Bank, Ltd.	11,316
Sumitomo Mitsui Banking Corp.	8,296
Mitsubishi UFJ Trust and Banking Corp.	5,372

## 11. Other Important Matters Concerning the Group

On January 10, 2012, the Company entered into a share transfer agreement with JS Group Corporation (JS) and LIXIL Corporation, a consolidated subsidiary of JS, to acquire 100% of the issued shares of common stock (14,328 thousand shares) of LIXIL NITTAN Co., Ltd., held by LIXIL Corporation, effective on April 1, 2012. Subsequently, on April 1, 2012, the Company acquired the shares of LIXIL NITTAN Co., Ltd., which became its consolidated subsidiary. As of the same date, LIXIL NITTAN Co., Ltd. changed its name to NITTAN Co., Ltd.

## 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 15,017,691 shares of treasury stock held by the Company)
- 3. Number of Shareholders at the End of the Fiscal Year:** 29,118
- 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 State Street Bank and Trust Company	24,258	11.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,260	6.53
Japan Trustee Services Bank, Ltd. (Trust Account)	11,434	5.23
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052098)	6,153	2.81
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	4,577	2.09
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
The State Street Bank and Trust Company 505223	3,324	1.52
Juichi Toda	3,152	1.44

(Notes)

- The Company holds treasury stock of 15,017,691 shares although 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.
- 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.
- Secom Science and Technology Foundation changed its status from a foundation to a public interest foundation as of April 1, 2012.



### III. Directors and Corporate Auditors

#### 1. Names and Titles of Directors and Corporate Auditors

(As of March 31, 2012)

Position	Name	Field of responsibility and important position of other organization concurrently assumed
Director	Makoto Iida	Supreme Advisor
Director	Juichi Toda	Supreme Advisor
Chairman and Director	Shohei Kimura	Chairman of All Japan Security Service Association, Outside Corporate Auditor of Secom General Insurance Co., Ltd.
Executive Vice Chairman and Director	Kanemasa Haraguchi	Outside Director of Secom Joshinetsu Co., Ltd., Outside Director of Toyo Tec Co., Ltd.
President and Representative Director	Shuji Maeda	Executive Officer
Executive Vice President and Director	Koichi Sato	Executive Officer (general manager of group international business division), Outside Director of Nohmi Bosai Ltd.
Senior Executive Director	Fumio Obata	Executive Officer (in charge of special tasks)
Executive Director	Katsuhisa Kuwahara	Executive Officer (general manager of finance division)
Executive Director	Yasuo Nakayama	Executive Officer (general manager of general affairs division)
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.
Director	Takayuki Ito	Executive Officer (general manager of real estate division), President and Representative Director of Secom Home Life Co., Ltd.
Corporate Auditor	Teruo Ogino	Full-time Corporate Auditor
Corporate Auditor	Seiji Sakamoto	Full-time Corporate Auditor
Corporate Auditor	Ken Tsunematsu	Attorney-at-law, Managing Director of Secom Science and Technology Foundation
Corporate Auditor	Hiroshi Yasuda	President and Director of Yasuda Gakuen Kyoikukai
Corporate Auditor	Kohei Yamashita	President and Representative Director of Kokyo Tatemono Co., Ltd.

(Notes)

1. Messrs. Ken Tsunematsu, Hiroshi Yasuda and Kohei Yamashita are Outside Corporate Auditors as stipulated in Article 2, Item 16 of the Companies Act.
2. The Corporate Auditor, Mr. Teruo Ogino had been in charge of the Company's financial affairs for 11 years and has considerable knowledge of finance and accounting matters.

[English Translation]

3. The Corporate Auditor, 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 Corporate Auditor, 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.
5. There are no special interests between the Company and other corporations employing Outside Corporate Auditors, Messrs. Ken Tsunematsu, Hiroshi Yasuda and Kohei Yamashita.
6. The notice of Outside Corporate Auditor, Mr. Ken Tsunematsu being an independent officer was submitted to Tokyo Stock Exchange, Inc. and Osaka Securities Exchange Co., Ltd.
7. Secom Science and Technology Foundation changed its status from a foundation to a public interest foundation as of April 1, 2012.
8. Changes in Directors and Corporate Auditors during the current fiscal year
  - 1) Mr. Seiji Sakamoto was elected as Corporate Auditor at the 50th ordinary general meeting of shareholders held on June 24, 2011, and assumed the office. (Mr. Sakamoto was elected as Full-time Corporate Auditor at the board of Corporate Auditors held on the same day and assumed the office.)
  - 2) Mr. Fumio Obata resigned Senior Executive Director of the Company as of March 31, 2012.

#### 〈Reference〉

Executive Officers who are not Directors are as follows:

(As of May 1, 2012)

Title	Name
Managing Executive Officer	Shunji Ogahara, Naohide Nakamura, Kazuaki Anzai
Executive Officer	Minoru Takaoka, Hideo Morishita, Tsuneo Komatsuzaki, Ryohei Komatsu, Yukio Tsunoda, Masahiro Takeda, Teruhisa Yoshimura, Keitaro Arai, Yasuyuki Yoshida, Tatsuro Fuse, Hiromichi Sonoda, Toshiyuki Mukai, Hiroshi Ishikawa, Kenichi Furukawa, Yoichi Sugimoto

(Notes)

1. Mr. Kazuaki Anzai was appointed to Managing Executive Officer as of January 1, 2012.
2. Messrs. Toshiyuki Mukai, Hiroshi Ishikawa and Kenichi Furukawa were appointed to Executive Officer as of January 1, 2012.
3. Mr. Yoichi Sugimoto was appointed to Executive Officer as of April 1, 2012.

## 2. Remuneration of Directors and Corporate Auditors

	Number of Recipients	Combined total of remuneration (Millions of Yen)
Directors	11	476
Corporate Auditors	5	60
Total	16	537

(Notes)

1. In the table shown above, the total combined remuneration for the 3 Outside Corporate Auditors is YEN 24 million.

[English Translation]

2. The Directors' bonuses of YEN 61 million paid for the current fiscal year are included in the total amount of remunerations of Directors shown above.
3. The total amount of remunerations of Directors and Corporate Auditors shown above includes YEN 62 million (YEN 60 million to Directors and YEN 2 million to Corporate Auditors (of which YEN 0 to Outside Corporate Auditors), respectively) which was accrued to retirement benefits for Directors and Corporate Auditors in the current fiscal year.
4. In addition to the above, retirement benefits of YEN 15 million (previously approved at the general meeting of shareholders) were paid to one Director who had retired at the conclusion of the 43rd Ordinary General Meeting of Shareholders held on June 29, 2004 (who had been appointed to Executive Officer simultaneously with his retirement from Director and retired on May 31, 2011 from the office of Executive Officer).

### 3. Outside Corporate Auditors

#### (1) Activities of Outside Corporate Auditors during the current fiscal year

Name	Attendance of the Meetings of the Board of Directors	Attendance of the Meetings of the Board of Corporate Auditors	Main Activities
Ken Tsunematsu	13 (out of 13)	10 (out of 10)	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 Board of Directors Meeting in order to ascertain the validity and/or appropriateness of operations and management.
Hiroshi Yasuda	12 (out of 13)	9 (out of 10)	He offered advice and suggestions at the Board of Directors Meeting based on his ample experience and insights of company management and directorships gained from previously held positions. He also asked questions and stated opinions in order to clarify unclear issues.  In addition, with respect to the meetings for which he was absent, he received from the Full-time Corporate Auditors detailed reports on the resolutions of the meetings so as to remain fully informed.

Name	Attendance of the Meetings of the Board of Directors	Attendance of the Meetings of the Board of Corporate Auditors	Main Activities
Kohei Yamashita	13 (out of 13)	10 (out of 10)	He offered advice and suggestions at the Board of Directors Meeting based on his ample experience and insights of managing a global corporation. He also asked questions and stated opinions in order to clarify unclear issues.

(2) Description of the agreement limiting liabilities

The Company has entered into with each of the Outside Corporate Auditors an agreement limiting his 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 Corporate Auditors 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 210 million
(2) Total cash and other remuneration to be paid by the Company and subsidiaries to the Accounting Auditor	YEN 517 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 PricewaterhouseCoopers 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 Board of Corporate Auditors will examine the situation, and, when all Corporate Auditors have consented thereto, the Corporate Auditor will take action for the dismissal of the subject Accounting Auditor or the subject firm of the Accounting Auditor. In such case, the Corporate Auditor selected by the Board of Corporate Auditors 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 Board of Corporate Auditors, 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 Corporate Auditors.
- (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 Board of Corporate Auditors.

(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 Corporate Auditors.

**(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 Board of Corporate Auditors 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 Corporate Auditors.

	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.)



	Risk Category	Example
Ordinary times	(5)Administrative work and accounting risk	Input error or input omission in administrative or account processing, estimation error for allowance, etc.
	(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 Board of Corporate Auditors.
- (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 Corporate Auditors of the Company visit important subsidiaries and conduct audits regarding internal controls.
- (vii) A liaison meeting with Group Corporate Auditors is established after discussion with the Board of Corporate Auditors in an attempt to share information.

**(7) Matters related to employees to assist duties of Corporate Auditors when Corporate Auditors requests to do so**

The Office of Corporate Auditors will be established and at least two employees will be manned to assist audit duties of the Corporate Auditors.

**(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 Board of Corporate Auditors.

The assistants who received necessary instruction on audit duties by Corporate Auditors 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 Corporate Auditors and system under which any report is made to Corporate Auditors**

- (i) Regulation providing for matters to be reported to Corporate Auditors shall be established upon discussion with the Board of Corporate Auditors, 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 Corporate Auditors pursuant to the preceding paragraph.

**(10) System under which audit by Corporate Auditors is ensured to be performed efficiently**

- (i) The Board of Corporate Auditors 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 Board of Corporate Auditors 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, 2012)**

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 Corporate Auditors, including 3 Outside Corporate Auditors, 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 10 Directors and is attended by 5 Corporate Auditors (including 3 Outside Corporate Auditors). 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.  
6 out of 10 Directors are involved in business execution, and 4 Directors (2 Supreme Advisors, Chairman and Executive Vice Chairman) 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 6 Directors.

(iii) Corporate Auditors and Board of Corporate Auditors

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

For the office of Full-time Corporate Auditor, the Company appoints persons who are well versed in the Company's business, internal affairs and finance. For the office of Outside Corporate Auditors, 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.

Corporate Auditors 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 Board of Corporate Auditors 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) Corporate Auditors' attendance rate at meetings of the Board of Directors: 98.3%
- (ii) Corporate Auditors' attendance rate at meetings of the Board of Corporate Auditors: 97.9%
- (iii) Conducted interviews with Directors etc. of the Company and its subsidiaries and affiliates: 51 times
- (iv) Conducted on-site audits at business locations of the Company, its subsidiaries, affiliates, etc.: 223 locations

**(2) Coordination among Organizations and Business Units**

(i) Periodic Meetings among Representative Director, etc. and Corporate Auditors:

Corporate Auditors hold meetings with the President and Representative Director with the presence of Chairman and Director and Executive Vice Chairman and Director periodically (once a month). At the meeting, Corporate Auditors report the results of audits etc. and exchange opinions on important issues regarding management, to share mutual recognition.

(ii) Conferences etc. among Corporate Auditors and the Accounting Auditor:

Corporate Auditors hold periodical meetings with the Accounting Auditor 6 times a year and have ones additionally as necessary, and exchange opinions and information. Corporate Auditors and the Board of Corporate Auditors receive explanation and exchange opinions regarding the audit plan and audit results\* from the Accounting Auditor. In addition, Corporate Auditors present themselves as a witness during visiting audits and audit review conducted by the Accounting Auditor as necessary. (Witness frequency: 32 times in the current fiscal year)

\* including the reports of quarterly reviews and audit under the Companies Act.

(iii) Cooperation with Internal Audit Division etc.:

Corporate Auditors hold conferences with the Audit and Compliance Department periodically (once a month), are reported to on audit results and exchange opinions with them. And Corporate Auditors 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, 2012)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<b><u>ASSETS</u></b>		<b><u>LIABILITIES</u></b>	
<b>Current assets:</b>	<b>503,479</b>	<b>Current liabilities:</b>	<b>215,780</b>
Cash on hand and in banks	182,412	Notes and accounts payable, trade	30,731
Cash deposits for armored car services	54,011	Bank loans	47,985
Call loans	28,000	Current portion of straight bonds	5,983
Notes and accounts receivable, trade	85,744	Lease obligations	354
Due from subscribers	24,830	Payables – other	27,627
Short-term investments	19,936	Accrued income taxes	14,688
Lease receivables and investment in leased assets	14,605	Accrued consumption taxes	3,833
Inventories	23,746	Accrued expenses	4,169
Real estate inventories	42,359	Deferred revenue	30,834
Deferred income taxes	11,383	Accrued bonuses	12,739
Short-term loans receivable	4,389	Reserve for losses on construction contracts	834
Other	13,489	Other	35,997
Allowance for doubtful accounts	(1,428)		
<b>Fixed assets:</b>	<b>598,359</b>	<b>Long-term liabilities:</b>	<b>214,586</b>
<b>Tangible assets:</b>	<b>290,747</b>	Straight bonds	9,625
Buildings and improvements	97,955	Long-term loans	10,700
Security equipment and control stations	66,900	Lease obligations	2,884
Land	104,426	Guarantee deposits received	38,235
Other	21,464	Deferred income taxes	8,415
<b>Intangible assets:</b>	<b>25,043</b>	Accrued pension and severance costs	12,585
Software	12,540	Accrued retirement benefits for directors and corporate auditors	2,509
Goodwill	7,320	Investment deposits by policyholders, unearned premiums and other insurance liabilities	127,812
Other	5,182	Other	1,817
<b>Investments and others:</b>	<b>282,568</b>	<b>Total liabilities</b>	<b>430,366</b>
Investment securities	177,655	<b><u>NET ASSETS</u></b>	
Long-term loans receivable	46,197	<b>Shareholders' equity:</b>	<b>641,034</b>
Long-term prepaid expenses	19,460	Common stock	66,377
Prepaid pension and severance costs	19,130	Capital surplus	83,054
Deferred income taxes	14,793	Retained earnings	565,261
Other	22,915	Common stock in treasury, at cost	(73,659)
Allowance for doubtful accounts	(17,584)	<b>Accumulated other comprehensive income:</b>	<b>(33,026)</b>
<b>Deferred assets:</b>	<b>45</b>	Unrealized gains on securities	4,559
Other	45	Deferred losses on hedges	(28)
		Foreign currency translation adjustments	(37,556)
		<b>Minority interests in subsidiaries:</b>	<b>63,509</b>
		<b>Total net assets</b>	<b>671,517</b>
<b>TOTAL ASSETS</b>	<b>1,101,884</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,101,884</b>

## Consolidated Statement of Income

(Fiscal Year from April 1, 2011 to March 31, 2012)

(Millions of Yen)

ITEM	AMOUNT	
<b>Revenue</b>		<b>679,173</b>
Costs of revenue	458,452	
<b>Gross profit</b>		<b>220,720</b>
Selling, general and administrative expenses	139,642	
<b>Operating profit</b>		<b>81,078</b>
<b>Non-operating income:</b>		
Interest income	872	
Dividends income	350	
Gain on sales of investment securities	1,873	
Net gains from investment in affiliates accounted for under the equity method	4,597	
Gain on private equity investments	2,739	
Other	2,537	12,970
<b>Non-operating expenses:</b>		
Interest expenses	1,145	
Loss on sales of investment securities	1,224	
Loss on sales and disposal of fixed assets	1,253	
Write-off of long-term prepaid expenses	841	
Other	1,744	6,209
<b>Ordinary profit</b>		<b>87,839</b>
<b>Extraordinary profit:</b>		
Insurance income	178	
Gain on negative goodwill	34	
Gain on sales of fixed assets	33	
Gain on sales of investment securities	18	
Other	22	287
<b>Extraordinary losses:</b>		
Impairment losses on fixed assets	8,133	
Loss on revaluation of investment securities	922	
Loss related to disasters	539	
Loss on sales of fixed assets	8	
Other	1,954	11,558
<b>Income before income taxes</b>		<b>76,567</b>
Income taxes – current	32,023	
Income taxes – deferred	4,600	36,623
<b>Net income before minority interests in subsidiaries</b>		<b>39,943</b>
Minority interests in subsidiaries		4,454
<b>Net income</b>		<b>35,489</b>

## Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2011 to March 31, 2012)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury, at cost	Total shareholders' equity
<b>Balance at the beginning of the fiscal year</b>	<b>66,377</b>	<b>83,054</b>	<b>549,747</b>	<b>(74,923)</b>	<b>624,255</b>
<b>Change in the fiscal year:</b>					
Cash dividends			(19,622)		(19,622)
Net income			35,489		35,489
Purchase of treasury stock				(292)	(292)
Disposal of treasury stock		(351)		1,556	1,204
Transfer of losses on disposal of treasury stock		351	(351)		-
Net changes of items other than shareholders' equity					
<b>Total changes in the fiscal year</b>	<b>-</b>	<b>-</b>	<b>15,514</b>	<b>1,263</b>	<b>16,778</b>
<b>Balance at the end of the fiscal year</b>	<b>66,377</b>	<b>83,054</b>	<b>565,261</b>	<b>(73,659)</b>	<b>641,034</b>

	Accumulated other comprehensive income				Minority interests in subsidiaries	Total net assets
	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income		
<b>Balance at the beginning of the fiscal year</b>	<b>2,192</b>	<b>(35)</b>	<b>(34,166)</b>	<b>(32,010)</b>	<b>61,810</b>	<b>654,055</b>
<b>Change in the fiscal year:</b>						
Cash dividends						(19,622)
Net income						35,489
Purchase of treasury stock						(292)
Disposal of treasury stock						1,204
Transfer of losses on disposal of treasury stock						-
Net changes of items other than shareholders' equity	2,366	7	(3,390)	(1,015)	1,699	683
<b>Total changes in the fiscal year</b>	<b>2,366</b>	<b>7</b>	<b>(3,390)</b>	<b>(1,015)</b>	<b>1,699</b>	<b>17,461</b>
<b>Balance at the end of the fiscal year</b>	<b>4,559</b>	<b>(28)</b>	<b>(37,556)</b>	<b>(33,026)</b>	<b>63,509</b>	<b>671,517</b>

[English Translation]

## Non-Consolidated Balance Sheet

(As of March 31, 2012)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<b><u>ASSETS</u></b>		<b><u>LIABILITIES</u></b>	
<b>Current assets:</b>	<b>192,804</b>	<b>Current liabilities:</b>	<b>106,121</b>
Cash on hand and in banks	82,631	Accounts payable	2,400
Cash deposits for armored car services	52,386	Bank loans	27,659
Notes receivable	720	Lease obligations	80
Due from subscribers	14,324	Payables – other	13,756
Accounts receivable, trade	10,039	Accrued income taxes	3,938
Receivables – other	2,159	Accrued consumption taxes	2,062
Short-term investments	456	Accrued expenses	716
Merchandise	5,152	Deposits received	22,066
Supplies	1,470	Deferred revenue	22,340
Prepaid expenses	2,253	Payables – construction	4,343
Deferred income taxes	4,269	Accrued bonuses	6,116
Short-term loans receivable	15,574	Other	640
Other	1,632		
Allowance for doubtful accounts	(268)		
<b>Fixed assets:</b>	<b>506,643</b>	<b>Long-term liabilities:</b>	<b>25,568</b>
<b>Tangible assets:</b>	<b>116,286</b>	Lease obligations	2,217
Buildings and improvements	16,409	Guarantee deposits received	18,099
Automobiles	231	Accrued pension and severance costs	3,945
Security equipment and control stations	65,341	Accrued retirement benefits for directors and corporate auditors	1,294
Machinery and equipment	361	Other	10
Tools, furniture and fixtures	3,301		
Land	28,555		
Construction in progress	1,710		
Other	374		
<b>Intangible assets:</b>	<b>10,424</b>		
Goodwill	3,350		
Software	5,487		
Other	1,586		
<b>Investments and others:</b>	<b>379,933</b>		
Investment securities	23,906		
Investment securities and investments in subsidiaries and affiliates	192,189		
Long-term loans receivable	128,074		
Lease deposits	8,147		
Long-term prepaid expense	24,013		
Prepaid pension and severance costs	15,903		
Deferred income taxes	130		
Insurance funds	4,181		
Other	2,713		
Allowance for doubtful accounts	(19,326)		
		<b>Total liabilities</b>	<b>131,689</b>
		<b><u>NET ASSETS</u></b>	
		<b>Shareholders' equity:</b>	<b>566,727</b>
		<b>Common stock</b>	<b>66,377</b>
		<b>Capital surplus:</b>	<b>83,054</b>
		Additional paid-in capital	83,054
		<b>Retained earnings:</b>	<b>490,954</b>
		Legal reserve	9,028
		Other retained earnings	481,926
		Reserve for system developments	800
		General reserve	2,212
		Accumulated earnings carried forward	478,914
		<b>Common stock in treasury, at cost</b>	<b>(73,659)</b>
		<b>Valuation, translation adjustments and others:</b>	<b>1,031</b>
		<b>Unrealized gains on securities</b>	<b>1,031</b>
		<b>Total net assets</b>	<b>567,758</b>
<b>TOTAL ASSETS</b>	<b>699,448</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>699,448</b>



## Non-Consolidated Statement of Income

(Fiscal Year from April 1, 2011 to March 31, 2012)

(Millions of Yen)

ITEM	AMOUNT	
<b>Revenue</b>		<b>345,476</b>
Costs of revenue	203,386	
<b>Gross profit</b>		<b>142,089</b>
Selling, general and administrative expenses	71,893	
<b>Operating profit</b>		<b>70,196</b>
<b>Non-operating income:</b>		
Interest income	1,668	
Dividends income	5,927	
Other	452	8,048
<b>Non-operating expenses:</b>		
Interest expenses	325	
Loss on sales and disposal of fixed assets	1,043	
Write-off of long-term prepaid expenses	774	
Other	889	3,032
<b>Ordinary profit</b>		<b>75,212</b>
<b>Extraordinary profit:</b>		
Gain on extinguishment of tie-in shares	22,985	
Gain on sales of investment securities	11	
Other	4	23,001
<b>Extraordinary losses:</b>		
Debt-equity-swap loss	24,999	
Impairment losses on fixed assets	7,909	
Provision for allowance for doubtful accounts	6,391	
Loss on revaluation of investment securities	757	
Loss related to disasters	465	
Other	171	40,695
<b>Income before income taxes</b>		<b>57,518</b>
Income taxes – current	17,270	
Income taxes – deferred	13,429	30,699
<b>Net income</b>		<b>26,818</b>

## Non-Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2011 to March 31, 2012)

(Millions of Yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
<b>Balance at the beginning of the fiscal year</b>	66,377	83,054	—	83,054
<b>Change in the fiscal year:</b>				
Cash dividends				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(351)	(351)
Transfer of losses on disposal of treasury stock			351	351
Net changes of items other than shareholders' equity				
<b>Total changes in the fiscal year</b>	—	—	—	—
<b>Balance at the end of the fiscal year</b>	66,377	83,054	—	83,054

	Shareholders' equity				
	Retained earnings				
	Legal reserve	Other retained earnings			Total retained earnings
Reserve for system developments		General reserve	Accumulated earnings carried forward		
<b>Balance at the beginning of the fiscal year</b>	9,028	800	2,212	472,070	484,110
<b>Change in the fiscal year:</b>					
Cash dividends				(19,622)	(19,622)
Net income				26,818	26,818
Purchase of treasury stock					
Disposal of treasury stock					
Transfer of losses on disposal of treasury stock				(351)	(351)
Net changes of items other than shareholders' equity					
<b>Total changes in the fiscal year</b>	-	-	-	6,844	6,844
<b>Balance at the end of the fiscal year</b>	9,028	800	2,212	478,914	490,954

[English Translation]

(Millions of Yen)

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Common stock in treasury, at cost	Total shareholders' equity	Unrealized gains (losses) on securities	Total valuation, translation adjustments and others	
<b>Balance at the beginning of the fiscal year</b>	(74,923)	558,619	(201)	(201)	558,417
<b>Change in the fiscal year:</b>					
Cash dividends		(19,622)			(19,622)
Net income		26,818			26,818
Purchase of treasury stock	(292)	(292)			(292)
Disposal of treasury stock	1,556	1,204			1,204
Transfer of losses on disposal of treasury stock		—			—
Net changes of items other than shareholders' equity			1,232	1,232	1,232
<b>Total changes in the fiscal year</b>	<b>1,263</b>	<b>8,108</b>	<b>1,232</b>	<b>1,232</b>	<b>9,341</b>
<b>Balance at the end of the fiscal year</b>	<b>(73,659)</b>	<b>566,727</b>	<b>1,031</b>	<b>1,031</b>	<b>567,758</b>

## 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 17, 2012

The Board of Directors  
SECOM Co., Ltd.

KPMG AZSA LLC

Hiroaki Sugiura (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Kentaro Maruta (Seal)  
Designated Limited Liability 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, 2012 and for the year from April 1, 2011 to March 31, 2012 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 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

[English Translation]

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 17, 2012

The Board of Directors  
SECOM Co., Ltd.

KPMG AZSA LLC

Hiroaki Sugiura (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Kentaro Maruta (Seal)  
Designated Limited Liability 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, 2012 and for the 51st business year from April 1, 2011 to March 31, 2012 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 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

[English Translation]

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 Board of Corporate Auditors' Report

[English Translation of the Board of Corporate Auditors' Report Originally Issued in the Japanese Language]

### Audit Report

May 18, 2012

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

Board of Corporate Auditors of  
SECOM Co., Ltd.

Teruo Ogino (Seal)  
Corporate Auditor (Full-time)

Seiji Sakamoto (Seal)  
Corporate Auditor (Full-time)

Ken Tsunematsu (Seal)  
Outside Corporate Auditor

Hiroshi Yasuda (Seal)  
Outside Corporate Auditor

Kohei Yamashita (Seal)  
Outside Corporate Auditor

The Board of Corporate Auditors has received the audit reports of the performance of duties of the Directors during the 51st business term from April 1, 2011 through March 31, 2012 from each of the Corporate Auditors. After deliberating such reports, we have prepared this Audit Report and report as follows:

#### 1. Method and Details of Audit Performed by Corporate Auditors and the Board of Corporate Auditors

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

Each of the Corporate Auditors, in accordance with the audit policy, audit plan, etc. of the current fiscal year set up by the Board of Corporate Auditors, worked to communicate with Directors, the internal audit division and other employees, etc. 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 Corporate Auditors, 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 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.

[English Translation]



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 Corporate Auditors, etc. of subsidiaries and received reports on operations from subsidiaries when necessary. The above methods were used to examine the business report and supplementary schedule for the current fiscal year.

The Board of Corporate Auditors received reports on internal control regarding financial reporting from Directors and the Accounting Auditor about discussion between Directors and the Accounting Auditor, evaluation of internal control of the Company and audit circumstance, also requested explanations when necessary. With respect to subsidiaries, Corporate Auditors have endeavored to exchange information and promote understanding and, obtained reports from Directors and Corporate Auditors of subsidiaries.

On the basis of the forgoing procedures, the Board of Corporate Auditors has considered the Business Report and supplementary schedules.

Furthermore, in addition to monitoring and examining whether the Accounting Auditor maintained an independent position 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 whenever necessity arose. 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 unjust activity 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