



## **Notice of Convocation**

*The 54th Ordinary General Meeting of Shareholders*

The following is an English translation of the Notice of Convocation of the 54th Ordinary General Meeting of Shareholders of SECOM CO., LTD. to be held on June 25, 2015, except for the translation of the INSTRUCTION ON ONLINE VOTING and the ACCESS MAP FOR THE PLACE OF THE MEETING in the Notice. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

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

**Notice of Convocation of  
The 54th Ordinary General Meeting of Shareholders**

Dear Shareholders:

You are cordially invited to attend the 54th Ordinary General Meeting of Shareholders of SECOM CO., LTD. (the “Company”).

**If you are unable to attend the aforesaid meeting, you can exercise your voting rights through either of the methods stated below. The Company respectfully requests you to study the “Reference Document Concerning the General Meeting of Shareholders” below and exercise your voting rights on or before 6:00 p.m. (JST) June 24, 2015 (Wednesday):**

**[In case of exercising voting rights by mail]**

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

**[In case of exercising voting rights via the Internet]**

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

Yours very truly,

**SECOM CO., LTD.**

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

By: HIROSHI ITO

President and Representative Director

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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 custodian in Japan as to the exercise of voting rights.

[English Translation]

## PARTICULARS

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

**Thursday, June 25, 2015 at 10:00 a.m.**

**2. Place of the Meeting:**

Bersarle Hanzomon, Sumitomo Fudosan Hanzomon-Ekimae Building 2F,  
6-4, Kojimachi 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 54th Fiscal Year (from April 1, 2014 to March 31, 2015) and the Results on the Audits of Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board.
2. Report on the Non-Consolidated Financial Statements for the 54th Fiscal Year (April 1, 2014 to March 31, 2015).

**Matters to be Resolved upon:**

- |                                 |  |
|---------------------------------|--|
| <b>First Item of Business:</b>  | Proposed Distribution of Surplus                       |
| <b>Second Item of Business:</b> | Election of Eleven (11) Directors                      |
| <b>Third Item of Business:</b>  | Election of Five (5) Audit & Supervisory Board Members |

**4. Matters related to Exercise of Voting Rights:**

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

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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 “Investor Relations: Stocks and Bonds” section)

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

(Note)

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

(Notice)

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

## Reference Document Concerning the General Meeting of Shareholders

### Proposal and Reference Items

#### First Item of Business: Proposed Distribution of Surplus

The Company considers the return of profit to shareholders as one of the important managerial issues, and the Company has determined 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 trends 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 twice a year, as the interim dividend which record date is September 30 each year and commenced from the fiscal year under review, and the year-end dividend which record date is March 31 each year. The interim dividend is determined by the Board of Directors and the year-end dividend is determined by the General Meeting of Shareholders. Furthermore, the Company will utilize internal reserves for investments required for increased new customers, research and development and investments and the like for strategic businesses so that the Company will exert its efforts to reinforce the corporate structure and to expand its business.

Based on the aforesaid basic policy for cash dividends and to reward shareholders' continued support, it is proposed that the year-end dividend for the fiscal year under review is Yen 65 per share. A total amount of dividend per share, together with the interim dividend of Yen 60 per share, will be Yen 125, an increase of Yen 10 per share from the previous fiscal year in which dividend was Yen 115 per share.

Matters related to the year-end dividend:

- (1) Kind of assets distributed:  
Cash
- (2) Matter related to distribution of cash and total amount:  
YEN 65 per share of common stock of the Company  
The total amount: YEN 14,187,153,825
- (3) Effective date for distribution of surplus:  
June 26, 2015

## Second Item of Business: Election of Eleven (11) Directors

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

The candidates are as follows:

	Name (Date of Birth)	Profile (Brief history, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed, if any)	The Number of Shares Held
1	Makoto Iida (April 1, 1933)	Jul 1962 President and Representative Director (Founder) Feb 1976 Chairman and Representative Director Jun 1997 Supreme Advisor and Director (currently)	4,320,500
2	Shuji Maeda (September 27, 1952) *	Jan 1981 Joined SECOM Co., Ltd. Jun 1997 Director Jun 2000 Executive Director Jun 2004 Director and Managing Executive Officer Apr 2005 Executive Director Jun 2009 Executive Vice President and Director Jan 2010 President and Representative Director Jun 2014 Chairman and Representative Director (currently)	13,800
3	Hiroshi Ito (February 7, 1952) *	Feb 1979 Joined SECOM Co., Ltd. May 1989 Executive Director, Secom Mie Co., Ltd. Jun 2000 Director (up to Jun 2004) Jun 2003 President and Representative Director, Secom Information System Co., Ltd. (presently Secom Trust Systems Co., Ltd.) Jun 2004 Executive Officer Jun 2009 Executive Director Jun 2014 President and Representative Director (currently)	5,500
4	Yasuo Nakayama (November 1, 1952) *	Jul 2003 Branch Manager, Nagoya Branch, The Bank of Japan Jul 2005 Director-General, Secretariat of the Policy Board, The Bank of Japan Apr 2007 Personnel and Corporate Affairs Department, The Bank of Japan May 2007 Advisor, SECOM Co., Ltd. Jun 2007 Executive Director (currently)	3,600
5	Kazuaki Anzai (January 14, 1952) *	May 2003 Branch Manager, Kanda Branch, Mizuho Bank, Ltd. Jul 2005 Associate General Manager, Tokyo Regional Headquarter, SECOM Co., Ltd. Jun 2006 Executive Officer (up to Jun 2008) Mar 2008 Executive Director, Secom Alpha Co., Ltd. Jun 2011 Senior Executive Director, Secom Alpha Co., Ltd. Sep 2011 Assistant to President in charge of special tasks Jan 2012 Managing Executive Officer Jun 2012 Executive Director (currently) (Important position of other organization concurrently assumed) Outside Director, Nohmi Bosai Ltd. Outside Director, Toyo Tec Co., Ltd.	584



	Name (Date of Birth)	Profile (Brief history, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed , if any)	The Number of Shares Held
6	Junzo Nakayama (February 24, 1958) *	<p>Mar 1980    Joined SECOM Co., Ltd.</p> <p>Nov 1999    President and Representative Director, Japan Image Communications Co., Ltd. (currently Turner Japan K. K.)</p> <p>Dec 2009    Associate General Manager, Strategic Planning Office</p> <p>Jun 2010    Associate General Manager, Assistant to President in charge of special tasks</p> <p>Jan 2011    Deputy General Manager, Finance Division</p> <p>Jun 2012    Director and General Manager, Finance Division</p> <p>Jun 2014    Executive Director (currently)</p>	1,200
7	Kenichi Furukawa (March 17, 1959) *	<p>Mar 1982    Joined SECOM Co., Ltd.</p> <p>Apr 2006    General Manager, Development Strategic Group, Development Center</p> <p>Jan 2010    General Manager, Planning Department</p> <p>Jan 2012    Executive Officer</p> <p>Jun 2013    Director</p> <p>Jun 2014    Executive Director (currently)</p> <p>Apr 2015    President and Representative Director, Secom Industries Co., Ltd. (currently)</p> <p>(Important position of other organization concurrently assumed)</p> <p>President and Representative Director, Secom Industries Co., Ltd.</p>	1,100
8	Yasuyuki Yoshida (March 28, 1958) *	<p>Mar 1980    Joined SECOM Co., Ltd.</p> <p>Feb 1997    Associate General Manager, Strategic Planning Division</p> <p>Sep 1998    Director, Toyo Fire and Marine Insurance Co., Ltd. (presently Secom General Insurance Co., Ltd.)</p> <p>Jun 2002    President and Representative Director, Secom General Insurance Co., Ltd.</p> <p>Apr 2010    Executive Officer (Strategic Planning Office), SECOM Co., Ltd.</p> <p>Jun 2010    Outside Audit &amp; Supervisory Board Member, Secom Joshinetsu Co., Ltd.</p> <p>Jun 2010    Group companies supervisor (currently)</p> <p>Jun 2012    Director (currently)</p>	2,000
9	Tatsuro Fuse (September 9, 1957) *	<p>Mar 1982    Joined SECOM Co., Ltd.</p> <p>Apr 2001    Manager, Project Development Department, Medical Division</p> <p>Mar 2002    Director, Secom Medical System Co., Ltd.</p> <p>May 2005    Executive Director, Secom Medical System Co., Ltd.</p> <p>Jun 2008    Senior Executive Director, Secom Medical System Co., Ltd.</p> <p>Jun 2009    President and Representative Director, Secom Medical System Co., Ltd. (currently)</p> <p>Apr 2010    Executive Officer in charge of medical business</p> <p>Jun 2013    Director (currently)</p> <p>(Important position of other organization concurrently assumed)</p> <p>President and Representative Director, Secom Medical System Co., Ltd.</p>	2,400

	Name (Date of Birth)	Profile (Brief history, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed , if any)	The Number of Shares Held
10	Takaharu Hirose (October 25, 1944)  Outside Director	Sep 1965      Founded Fuji Vending Co., Ltd., and assumed Representative Director Apr 1972      Founded Food & Beverage Vending Association, and assumed Chairman Apr 1987      Founded Japan Automatic Merchandising Association and assumed Chairman Apr 2003      Advisor and Director, GAIN Inc. May 2008      President and Representative Director, GAIN Inc. May 2011      Chairman and Representative Director, GAIN Inc. (currently) Jun 2013      Director (currently) (Important position of other organization concurrently assumed) Chairman and Representative Director, GAIN Inc.	0
11	Takashi Sawada (July 12, 1957)  Outside Director	Apr 1981      Joined ITOCHU Corporation May 1997      Joined FAST RETAILING CO., LTD. Nov 1997      Executive Director, FAST RETAILING CO., LTD. Nov 1998      Executive Vice President and Director, FAST RETAILING CO., LTD. Jan 2003      President and Representative Director, KIACON Corporation Oct 2005      Representative Director, Revamp Corporation Feb 2011      President and Representative Director, Revamp Corporation (currently) Jun 2013      Director (currently) (Important position of other organization concurrently assumed) President and Representative Director, Revamp Corporation Outside Director, Nomura Research Institute, Ltd. Outside Director, K's Holdings Corp. Outside Director, Link and Motivation Inc.	500

(Notes)

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

[English Translation]

the Company proposes to the shareholders to elect him as Outside Director continuously.

- (2) Mr. Takashi Sawada engaged in management of Fast Retailing Co., Ltd., and then established Revamp Corporation in 2005, since which he promoted various kinds of new businesses to be established and gave assistance and the like for management of enterprises. The Company deems his rich experience accumulated through his career on corporate management and a high level of his insight to be reflected on the enforcement of management and enhancement of corporate governance of the Company. Accordingly, the Company proposes to the shareholders to elect him as Outside Director continuously.
5. The number of years during which Mr. Takaharu Hirose and Mr. Takashi Sawada are in the office of Outside Directors of the Company will have been two (2) years at the close of this General Meeting of shareholders.
6. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into a liability limit agreement limiting a compensation liability provided for in Article 423, Paragraph 1 of the Companies Act with each of Mr. Takaharu Hirose and Mr. Takashi Sawada. If Mr. Takaharu Hirose and Mr. Takashi Sawada are re-elected and assume office as Outside Directors, the Company is scheduled to continue the agreement.

The maximum amount of the liabilities under this agreement which they incur is equal to the lowest amount of liabilities stipulated in Article 425, Paragraph 1 of the Companies Act.

### Third Item of Business: Election of Five (5) Audit & Supervisory Board Members

The term of office of all of the five (5) Audit & Supervisory Board Members will expire at the close of this Meeting. Two (2) Audit & Supervisory Board Members are proposed to be re-elected and Three (3) new Audit & Supervisory Board Members to be elected.

Furthermore, the Audit & Supervisory Board has consented to this item of business.

The candidates for Audit & Supervisory Board Members 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	Hideki Kato (January 5, 1950) <u>Candidate for</u> <u>Outside Audit &amp;</u> <u>Supervisory Board</u> <u>Member</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, (presently a general incorporated association) 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</p> <p>Apr 2010    President, the Tokyo Foundation, a public interest incorporated foundation</p> <p>May 2012    Member, Advisory Committee for Administrative Reform</p> <p>Jun 2012    Audit &amp; Supervisory Board Member, SECOM Co., Ltd. (Currently)</p>	0
2	Kenichi Sekiya (March 5, 1938) <u>Candidate for</u> <u>Outside Audit &amp;</u> <u>Supervisory Board</u> <u>Member</u>	<p>Apr 1960    Joined Dai-ichi Seitoshu Co., Ltd. (presently DISCO Corporation)</p> <p>Mar 1963    Director, Dai-ichi Seitoshu Co., Ltd.</p> <p>May 1964    Executive Director, Dai-ichi Seitoshu Co., Ltd.</p> <p>Apr 1970    Executive Vice President and Director, Dai-ichi Seitoshu Co., Ltd.</p> <p>Mar 1985    President and Representative Director, DISCO Corporation</p> <p>Jul 1998    Chairman, President and Representative Director, DISCO Corporation</p> <p>Jun 2001    Chairman and Representative Director, DISCO Corporation</p> <p>Jul 2008    Resigned the post and became Director Emeritus, DISCO Corporation (Currently)</p> <p>Jun 2013    Audit &amp; Supervisory Board Member, SECOM Co., Ltd. (Currently)</p> <p>(Important position of other organization concurrently assumed) Director Emeritus, DISCO Corporation</p>	2,000

No.	Name (Date of Birth)	Summary of Career, Title and Responsibility, and Important Position of Other Organization Concurrently Assumed	The Number of Shares Held
3	Takayuki Ito (January 2, 1954) * <u>New Candidate</u>	<p>Jul 2002 Branch Manager and General Manager, Corporate Sales Department, Muromachi Branch, UFJ Bank, Ltd. (presently The Bank of Tokyo-Mitsubishi UFJ, Ltd)</p> <p>Jun 2005 Advisor, SECOM Co., Ltd.</p> <p>Jun 2006 Executive Officer</p> <p>Jun 2007 Director (up to Jun 2012)</p> <p>Jul 2010 Executive Vice President and Representative Director, Secom Home Life Co., Ltd.</p> <p>Sep 2010 President and Representative Director, Secom Home Life Co., Ltd. (Currently)</p> <p>(Important position of other organization concurrently assumed) President and Representative Director, Secom Home Life Co., Ltd.</p>	1,600
4	Ryohei Komatsu (February 6, 1954) * <u>New Candidate</u>	<p>Apr 1976 Joined SECOM Co., Ltd.</p> <p>Sep 1997 General Manager, The First Sales Development Department</p> <p>Jun 2006 Executive officer and Deputy General Manager, SI Business Division</p> <p>Oct 2006 Executive officer and General Manager, SI Business Division</p> <p>Feb 2007 Executive officer and General Manager, Chubu Regional Headquarters</p> <p>Jun 2009 President and Representative Director, Secom Joshinetsu Co., Ltd. (Currently)</p> <p>(Important position of other organization concurrently assumed) President and Representative Director, Secom Joshinetsu Co., Ltd.</p>	3,000
5	Makoto Yasuda (November 7, 1937)  <u>New Candidate for Outside Audit &amp; Supervisory Board Member</u>	<p>Apr 1960 Joined Yamatake Corporation (presently Azbil Corporation)</p> <p>Aug 1968 Resigned Yamatake Corporation (presently Azbil Corporation)</p> <p>Feb 1969 Joined Private Investment Company for Asia (PICA) S.A.</p> <p>Feb 1977 Executive Vice President and Director, PICA S.A.</p> <p>May 1987 President and Representative Director, Elders and Yasuda (presently Yasuda Makoto &amp; Co., Ltd.) (Currently)</p> <p>Jun 2000 Audit &amp; Supervisory Board Member, Azbil Corporation</p> <p>May 2001 Director, Li &amp; Fung Ltd.</p> <p>Jun 2006 Director, Azbil Corporation</p> <p>Jun 2014 Outside Director, Sanwa Holdings Corporation (Currently)</p> <p>(Important position of other organization concurrently assumed) President and Representative Director, Yasuda Makoto &amp; Co., Ltd.</p> <p>Outside Director, Sanwa Holdings Corporation</p>	0

(Notes)

1. The Company pays a membership fee to forums that are held by Japan Initiative (a general incorporated association), a non-profit independent policy [English Translation]

- think tank, the president of which is Mr. Hideki Kato. There is no particular interest between the Company and the other candidates.
2. Candidates placed with an asterisk (\*) are Executive Officers currently in office.
  3. Messrs. Hideki Kato, Kenichi Sekiya and Makoto Yasuda are candidates for Outside Audit & Supervisory Board Member. The designation of Mr. Hideki Kato and Mr. Kenichi Sekiya as Independent Officers has been filed with Tokyo Stock Exchange, Inc. Mr. Makoto Yasuda is planned to be notified as Independent Officer to Tokyo Stock Exchange, Inc.
  4. Reasons for Election of the Candidates for Outside Audit & Supervisory Board Member:
    - (1) 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 Audit & Supervisory Board Member continuously.
    - (2) Mr. Kenichi Sekiya, as the founder and executive, strived to contribute to the advance of DISCO Corporation for a long time. He was also, for a long time, in the office of Representative and Director of SEMI, Semiconductor Equipment and Materials International, which is an international industrial association for semiconductor production equipment and material, much contributing to global advance of the industry. Based on such wealth of experience and considerable international discernment of business management cultivated through his career, 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 Audit & Supervisory Board Member continuously.
    - (3) Mr. Makoto Yasuda, as an executive of global companies, has a long-term experience and knowledge. The Company expects that he will make considerable contribution to strengthen the audit structure. Accordingly, the Company proposes its shareholders to elect him as Outside Audit & Supervisory Board Member.
  5. Reasons why it is determined that the candidates for Outside Audit & Supervisory Board Member will duly discharge their duties.

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 Audit & Supervisory Board Member.
  6. Mr. Hideki Kato and Mr. Kenichi Sekiya will have been in office of Outside Audit & Supervisory Board Member for three (3) years and two (2) years, respectively, at the close of this General Meeting of Shareholders.
  7. The Company has entered into, with each of Mr. Hideki Kato and Mr. Kenichi Sekiya, an agreement limiting their liabilities as prescribed by Article 423,

[English Translation]

Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. If they are re-elected and assumes office as Audit & Supervisory Board Member, the Company is scheduled to continue their agreements for limitation of liability with them. If Mr. Makoto Yasuda is elected and assumes office as Audit & Supervisory Board Member, the Company is scheduled to enter into the same agreement as those for Mr. Hideki Kato and Mr. Kenichi Sekiya.

The maximum amount of the liabilities under this agreement which they incur is equal to the lowest amount of liabilities stipulated in Article 425, Paragraph 1 of the Companies Act.

[Attached Documents]

## Business Report (Fiscal Year Ended March 31, 2015)

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

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

During the fiscal year ended March 31, 2015 (“the current fiscal year”), despite slow recovery in consumer spending after consumption tax rising, Japanese economy has been in moderate upward trend as shown in some signs of improvement of the corporate earnings, employment and individual income environment amid the yen depreciation and stock price rise.

In this environment, we have been continuously trying to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind, with the aim of realizing our vision of the establishment of “Social System Industry”, a society where everyone can live safe and secure anytime and anywhere. To this end, we have made efforts to develop and provide high-grade products and services suited to customer needs in our security services segment, as well as in our fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services segment. We also pressed forward with efforts to apply the ALL SECOM concept, which emphasizes cooperation among our various independent businesses to strengthen the bond of the Group as a whole with a view to hastening our advance to growth. Furthermore, preparing for future Japanese society, we promote the effort to develop innovative services through ALL SECOM concept, in terms of key themes: super-aged society and disaster preparedness/business continuity planning (BCP)/environmental preservation, based on a foundation of our security services. In December 2014, we opened “SECOM Medical Support Center” where specialized staff such as nurses, public health nurses, dietitians provide one-stop consultation services addressing any inquiries of health care, medical services, nursing care or personal care. By strengthening cooperation among “SECOM Medical Support Center” for super-aged society, “SECOM Control Center” for Security services and “SECOM Anshin Information Center” for disaster Preparedness/BCP/environmental preservation, we accelerated our efforts to realize a bright future which is safe with peace of mind, comfortable, and convenient, guided by the ALL SECOM concept.

As a result, consolidated revenue for the current fiscal year increased by 2.2% to YEN 840.7 billion, compared with the previous fiscal year. Consolidated operating profit went up by 3.0% to YEN 123.6 billion. Consolidated ordinary profit increased by 7.9% to YEN 136.6 billion, mainly due to contribution by YEN 9.2 billion of net gains on private equity investment in the U.S., improving from YEN 4.0 billion in the previous fiscal year. Consolidated net income increased by 7.9% to YEN 75.3 billion. Consolidated revenue, consolidated operating profit, consolidated ordinary profit and consolidated net income reached a record-high.

(Millions of Yen)

	Revenue	Operating profit	Ordinary profit	Net income
Current fiscal year (FY2014)	840,722	123,615	136,688	75,392
Previous fiscal year (FY2013)	822,228	120,018	126,677	69,876

[English Translation]



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

For our commercial security services, we have made an effort to market high value added on-line security systems, such as "SECOM AX," which is high-quality on-line security systems supported by imaging technology, "SECOM LX," which has an access control function for the promotion of labor management and cost reduction, and "SECOM FX," which has a facility control function. Also, we introduced next-generation security camera, "SECOM NVR System." to respond to the needs of customers, where concerns regarding food safety and incidents involving personal information leakage have increased demand for security and internal controls. Options available include access to the "SECOM Image Archive Service," which enables customers to store camera images remotely at SECOM's Secure Data Center facility.

For our residential security services, the demand for SECOM Home Security, which delivers safety and peace of mind, as well as comfort and convenience, has been solid and the number of subscribers has topped one million in June 2014. In this circumstance, we have been promoting "SECOM Home Security G-Custom", home security controller with the function to provide services close to customers' daily life.

Outside Japan, we promoted our "SECOM-style" security services, which has specialty in emergency response services, in economically developing areas, such as People's Republic of China, and Southeast Asia including Myanmar, where we newly started to provide services. We also strengthened offer to Japanese companies setting up overseas operations.

As a result, mainly due to brisk sales of centralized systems, i.e., on-line security systems, for commercial and residential use, security merchandise including security camera systems, and large-scale security systems, revenue increased by 2.1% to YEN 468.8 billion and operating profit increased by 2.0% to YEN 107.9 billion.

In the fire protection services segment, we provided a broad range of fire protection systems such as high-quality fire alarm systems and fire extinguishing systems along with customers' needs to a wide variety of facilities such as office buildings, production facilities, tunnels, cultural properties, ships and residences. In the current fiscal year, two major fire protection companies, Nohmi Bosai Ltd. and Nittan Co., Ltd., promoted various fire protection systems based on each company's business infrastructure and product development expertise, and strengthened and grew overseas operations by marketing new products and developing further cooperation with security services business in Southeast Asia region.

Despite revenue decreased by 0.7% to YEN 121.1 billion, operating profit increased by 14.3% to YEN 11.9 billion, mainly owing to decreases in cost of revenue and selling, general and administrative expenses ascribed to the improvement of business efficiency.

In the medical services segment, we provided various medical services such as our core home medical services, including home nursing services and pharmaceutical dispensing and home delivery services, operation of residences for seniors, sales of electronic medical report systems, sales of medical equipments and pharmaceutical products, personal care services, and the leasing of real estate for medical institutions.

[English Translation]

In the current fiscal year, we opened SECOM Home Health Care Center Kamakura, a comprehensive senior care facility that offers home nursing, home based personal care, day care services and home care support services. We launched “Alive Shinagawa-Oi,” a nursing home with nursing care services, associated with local medical institutions, commercial facilities and aged person welfare facilities.

Revenue increased by 11.9% to YEN 60.1 billion, mainly owing to the firm increase in sales of pharmaceutical products and medical equipment. Operating profit decreased by 3.4% to YEN 4.4 billion chiefly owing to the increase in cost ratio.

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

Revenue increased by 5.4% to YEN 37.7 billion, mainly due to the firm increase in sales of MEDCOM and fire insurance policy. Operating profit amounted to YEN 1.9 billion, improving from operating loss of YEN 0.4 billion in the previous fiscal year, mainly owing to the decrease in losses incurred from damage of natural disasters, etc.

In the geographic information services segment, we collected geographic data from aerial photography, vehicle/ground surveying systems and satellite images, and by integrating, processing, and analyzing the geographic data, provided the geospatial data services for domestic national and local governmental agencies, private sectors, and foreign governmental agencies including emerging and developing countries. In the current fiscal year, we responded to heightened needs for geospatial information to assist in the development and maintenance of critical infrastructure and assisting with disaster recovery in Japan and overseas.

Revenue decreased by 3.5% to YEN 52.7 billion, reflecting the decrease in revenue in public division and international division. Operating profit decreased by 46.4% to YEN 2.2 billion, mainly owing to the increase in cost ratio.

In the information and communication related services segment, our distinctive portfolio includes the core data center services, as well as BCP support, information security services and a variety of cloud-based services. In the current fiscal year, we marketed “SECOM Premium Net,” a system designed to protect against on line banking scams, including those involving illegal transfers of funds, and “SECOM Minutes Digitization Service” which enables subscribers to digitalize and store minutes of board of directors' meetings at SECOM's Secure Data Center facility under rigorous security.

Revenue increased by 0.1% to YEN 47.7 billion. Operating profit decreased by 14.8% to YEN 4.7 billion, chiefly owing to increase in operation costs relating to data center facilities.

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

Revenue increased by 6.5% to YEN 52.2 billion and operating profit went up by 12.9% to YEN 4.8 billion, chiefly owing to contribution by Toko Create Co., Ltd., newly consolidated from March 31, 2014, although revenue declined in the real estate development and sales business.

## Results by Business Segment (54th Fiscal Year – current fiscal year)

(Millions of Yen)

Business segment	Revenue			Operating profit
	Customers	Inter-segment	Total	
Security services	468,817	12,887	481,705	107,988
Fire protection services	121,187	5,127	126,314	11,918
Medical services	60,194	152	60,347	4,412
Insurance services	37,716	3,229	40,946	1,912
Geographic information services	52,760	176	52,937	2,240
Information and communication related services	47,754	6,244	53,998	4,779
Real estate and other services	52,290	2,245	54,535	4,836
Total	840,722	30,063	870,785	138,088
Eliminations and corporate items	-	(30,063)	(30,063)	(14,472)
Consolidated revenue	840,722	-	840,722	123,615

With respect to the results by geographical segments, in Japan, revenue increased by 1.7% to YEN 796.5billion. Overseas revenue increased by 12.2% to YEN 44.1 billion.

## 2. Issues the Group Has to Cope with

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

In view of this situation, the Group is aiming to realize "Social System Industry" by providing various services and products leading to people's "safety, security, comfort, and convenience," including not only our security services, but also our fire protection services, medical services, insurance services, geographic information services, information and communication related services, real estate development and sales and other services. Moreover, by combining these services and products, the Group endeavors to create and supply distinctive services and products. To this end, the Group declared the slogan, "ALL SECOM," to further rally cooperation among the Group's various businesses, and each and every employee of the Group has been actively working to maximize the strength of the Group as a whole. We place high value on the data center business handling our customers' classified information as one of our business bases. Furthermore, we promote aggressively the creation of highly-value-added services only the Group could provide, from the viewpoint of key words like security, super-aging society, and disaster preparedness/BCP/environmental preservation.

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

Furthermore, based on the business strategies described above, we will deal with various issues related to ESG (E: Environment, S: Society, G: Governance) in a proper manner, including the realization of effective corporate governance.

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

### 3. Capital Expenditures

Capital expenditures for the current fiscal year totaled YEN 62.0 billion (a breakdown is given below). A major portion was for system investments (including those for security equipment and control stations) etc. in the security services segment, which totaled to YEN 37.9 billion.

Business segment	Amount (Millions of Yen)
Security services	37,910
Fire protection services	3,608
Medical services	10,547
Insurance services	1,963
Geographic information services	3,317
Information and communication related services	4,159
Real estate and other services	257
Subtotal	61,763
Eliminations and corporate items	305
Total	62,069

### 4. Fund Raising

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

### 5. Trends in Earnings and Assets of the Group

(Millions of Yen except for net income per share)

Fiscal years Category	51st fiscal year (4/1/2011– 3/31/2012)	52nd fiscal year (4/1/2012– 3/31/2013)	53rd fiscal year (4/1/2013– 3/31/2014)	54th fiscal year (current fiscal year) (4/1/2014– 3/31/2015)
Revenue	679,173	765,635	822,228	840,722
Operating profit	81,078	108,370	120,018	123,615
Ordinary profit	87,839	113,618	126,677	136,688
Net income	35,489	63,658	69,876	75,392
Net income per share (Yen)	162.63	291.65	320.14	345.42
Return on Equity	5.9%	10.0%	10.0%	9.9%
Total assets	1,101,884	1,249,110	1,328,226	1,410,715
Net assets	671,517	764,139	830,369	907,341

## 6. Trends in Earnings and Assets of the Company

(Millions of Yen except for net income per share)

Fiscal years Category	51st fiscal year (4/1/2011– 3/31/2012)	52nd fiscal year (4/1/2012– 3/31/2013)	53rd fiscal year (4/1/2013– 3/31/2014)	54th fiscal year (current fiscal year) (4/1/2014– 3/31/2015)
Revenue	345,476	355,393	364,280	370,663
Operating profit	70,196	69,952	72,909	73,174
Ordinary profit	75,212	76,336	78,884	81,572
Net income	26,818	49,128	51,497	57,492
Net income per share (Yen)	122.90	225.08	235.94	263.41
Return on Equity	4.8%	8.4%	8.4%	9.0%
Total assets	699,448	749,317	772,910	795,778
Net assets	567,758	599,112	627,242	650,132

In the current fiscal year, the Company's non-consolidated revenue increased by 1.8% to YEN 370.6 billion, operating profit increased by 0.4% to YEN 73.1 billion, ordinary profit increased by 3.4% to YEN 81.5 billion, and net income increased by 11.6% to YEN 57.4 billion. Net income per share increased to YEN 263.41 compared to YEN 235.94 in the previous fiscal year.

Contract revenue accounted for 84.7% of total revenue, or YEN 314.0 billion, and sales of products and equipment accounted for 15.3% of total revenue, or YEN 56.5 billion.

Revenue from centralized systems, which is the core of revenue and profit, recorded YEN 263.3 billion and accounted for 71.0% of total revenue. Static guard contracts generated revenue of YEN 25.5 billion, and revenue from armored car services came to YEN 17.3 billion. The remaining revenue amounted to YEN 7.8 billion, the majority of which came from management fees paid by subsidiaries and other companies.

Product sales totaled YEN 37.6 billion, 10.2% of total revenue, and equipment sales to subsidiaries and other companies totaled YEN 18.9 billion, 5.1% of total revenue.

Costs of service and sales were YEN 221.4 billion, and sales and general administrative expenses were YEN 76.0 billion. As a result, operating profit recorded YEN 73.1 billion.

Non-operating income was YEN 11.7 billion, which included interest and dividends received, while non-operating expenses, including interest paid and loss on sales and disposal of fixed assets, totaled YEN 3.3 billion.

For the fiscal year under review, the Company posted net income of YEN 57.4 billion, having recorded an extraordinary profit of YEN 1.6 billion including the gain on sales of tangible assets etc., and an extraordinary loss of YEN 2.8 billion including the impairment losses on fixed assets etc.

Revenue by Business Category of the Company

Fiscal years Category		52nd fiscal year (4/1/2012–3/31/2013)			53rd fiscal year (4/1/2013–3/31/2014)			54th fiscal year (Current fiscal year) (4/1/2014–3/31/2015)		
		Amount (Millions of Yen)	%	Change (%)	Amount (Millions of Yen)	%	Change (%)	Amount (Millions of Yen)	%	Change (%)
Contract revenue	Centralized systems	256,025	72.0	2.5	259,249	71.2	1.3	263,397	71.0	1.6
	Static guard services	25,223	7.1	1.2	25,001	6.9	(0.9)	25,504	6.9	2.0
	Armored car services	17,073	4.8	(1.2)	17,223	4.7	0.9	17,313	4.7	0.5
	Other	6,977	2.0	(7.0)	8,023	2.2	15.0	7,853	2.1	(2.1)
	Subtotal	305,300	85.9	1.9	309,499	85.0	1.4	314,068	84.7	1.5
Sales	Products	29,389	8.3	4.8	33,328	9.1	13.4	37,665	10.2	13.0
	Equipment	20,703	5.8	15.5	21,453	5.9	3.6	18,929	5.1	(11.8)
	Subtotal	50,092	14.1	9.0	54,781	15.0	9.4	56,594	15.3	3.3
Total		355,393	100.0	2.9	364,280	100.0	2.5	370,663	100.0	1.8

## 7. Matters Concerning Principal Subsidiaries

Company name	Issued capital	Percentage of ownership (Percentage of voting rights)	Principal business activities
Secom Joshinetsu Co., Ltd.	(Millions of Yen) 3,530	(%) 50.87 (50.88)	Security and safety services
Nohmi Bosai Ltd.	(Millions of Yen) 13,302	(%) 50.36 (50.71)	Comprehensive fire protection services
Nittan Co., Ltd.	(Millions of Yen) 2,302	(%) 100.00 (100.00)	Comprehensive fire protection services
Secom Medical System Co., Ltd.	(Millions of Yen) 6,650	(%) 100.00 (100.00)	Home medical services and remote image diagnosis support services
Secom General Insurance Co., Ltd.	(Millions of Yen) 16,808	(%) 97.11 (97.82)	Non-life insurance
Pasco Corporation	(Millions of Yen) 8,758	(%) 69.84 (72.75)	Surveying, measuring and geographic information system services
Secom Trust Systems Co., Ltd.	(Millions of Yen) 1,468	(%) 100.00 (100.00)	Information security services and software development
At Tokyo Corporation	(Millions of Yen) 13,378	(%) 50.88 (50.88)	Data center business
Secom Home Life Co., Ltd.	(Millions of Yen) 3,700	(%) 99.94 (99.95)	Development and sales of real estate
The Westec Security Group, Inc.	(US\$) 301	(%) 100.00 (100.00)	Holding company in the U.S.
Secom Plc	(Thousands of UK Pounds) 44,126	(%) 100.00 (100.00)	Security business in the U.K.

(Notes)

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



## 8. Principal Business of the Group

The Group consists of the Company, 169 consolidated subsidiaries and 25 affiliates accounted for under the equity method. The principal business activities of the Group are as follows: Security Services centering on contracted security services; Fire Protection Services centering on comprehensive fire protection services; Medical Services, focusing on home medical services and management of residences for seniors; Insurance Services consisting mainly of non-life insurance; Geographic Information Services that mainly entails the provision of surveying and measuring operations; Information and Communication Related Services including security network services, development and operation of business systems and information security services; and Real Estate and Other Services centering on development and sales of condominiums and Other Services.

## 9. Principal Offices of the Group

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

## 10. Matters Concerning Employees of the Group and the Company

### (1) Matters Concerning Employees of the Group

Number of employees	Increase from the end of the previous fiscal year
37,943	702

### (2) Matters Concerning Employees of the Company

Number of employees	Increase from the end of the previous fiscal year	Average age	Average years of service
15,196	101	41.8	15.3

(Note)

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

## 11. Principal Lenders

(Millions of Yen)

Lenders	Balance
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,984
Mizuho Bank, Ltd.	13,690
Sumitomo Mitsui Banking Corp.	10,495
Mitsubishi UFJ Trust and Banking Corp.	4,009

## 12. Other Important Matters Concerning the Group

There is no matter applicable.

## II. Matters Concerning the Company's Shares and Shareholders

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

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

(including 15,024,812 shares of treasury stock held by the Company)

**3. Number of Shareholders at the End of the Fiscal Year:** 24,852

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

### 5. Major Shareholders (Top 10)

Name of Shareholders	Number of shares held (Thousands of Shares)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,520	8.94
STATE STREET BANK AND TRUST COMPANY	17,069	7.82
Japan Trustee Services Bank, Ltd. (Trust Account)	11,928	5.46
Naruo Toda	5,503	2.52
Makoto Iida	4,320	1.97
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052088)	4,148	1.90
Secom Science and Technology Foundation	4,025	1.84
BNP Paribas Securities (Japan) Ltd.	3,633	1.66
THE BANK OF NEW YORK MELLON SA/NV 10	3,530	1.61
STATE STREET BANK WEST CLIENT – TREATY 505234	2,996	1.37

(Note)

Although the Company holds treasury stock of 15,024,812 shares, it is not included in the table above. The percentage of ownership is calculated on the basis of the total number of shares outstanding excluding treasury stock. The percentage of ownership is truncated to two decimal places.

### III. Directors and Audit & Supervisory Board Members

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

(As of March 31, 2015)

Position	Name	Field of responsibility and important position of other organization concurrently assumed
Director	Makoto Iida	Supreme Advisor
Chairman and Representative Director	Shuji Maeda	Executive Officer
President and Representative Director	Hiroshi Ito	Executive Officer
Executive Director	Yasuo Nakayama	Executive Officer (general manager of general affairs division)
Executive Director	Kazuaki Anzai	Executive Officer (general manager of sales division, in charge of sales administration, general manager of corporate sales division), Outside Director of Nohmi Bosai Ltd., Outside Director of Toyo Tec Co., Ltd.
Executive Director	Junzo Nakayama	Executive Officer (general manager of finance division)
Executive Director	Kenichi Furukawa	Executive Officer (general manager of planning department)
Director	Yasuyuki Yoshida	Executive Officer (in charge of strategic planning office and in charge of group companies supervisor)
Director	Tatsuro Fuse	Executive Officer (in charge of medical business), President and Representative Director of Secom Medical System Co., Ltd.
Director	Takaharu Hirose	Chairman and Representative Director of GAIN Inc.
Director	Takashi Sawada	President and Representative Director of Revamp Corporation, Outside Director of Nomura Research Institute, Ltd., Outside Director of K'S Holdings Corp., Outside Director of Link and Motivation Inc.
Audit & Supervisory Board Member	Seiji Sakamoto	Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member	Katsuhisa Kuwahara	Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member	Ken Tsunematsu	Attorney-at-law, Managing Director of Secom Science and Technology Foundation
Audit & Supervisory Board Member	Hideki Kato	
Audit & Supervisory Board Member	Kenichi Sekiya	Director Emeritus of DISCO Corporation

(Notes)

1. Messrs. Takaharu Hirose and Takashi Sawada are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
2. Messrs. Ken Tsunematsu, Hideki Kato and Kenichi Sekiya are Outside Audit & Supervisory Board Members as stipulated in Article 2, Item 16 of the Companies Act.
3. The Audit & Supervisory Board Member, Mr. Seiji Sakamoto has a long-term experience by working at a financial institution and has considerable knowledge of finance and accounting matters.
4. The Audit & Supervisory Board Member, Mr. Katsuhisa Kuwahara had been in charge of the Company's financial affairs for 27 years and has considerable knowledge of finance and accounting matters.
5. The Audit & Supervisory Board Member, Mr. Ken Tsunematsu, has for many years been involved in securities issuance businesses for domestic and overseas companies, public institutions, organizations, etc. as an attorney-at-law. He has experienced in the analysis and evaluation of the financial statements of these issuers, and has considerable knowledge of finance and accounting matters.
6. There are no particular interests between the Company and other corporations employing Outside Director, Messrs. Takaharu Hirose and Takashi Sawada.
7. There are no particular interests between the Company and other corporations employing Audit & Supervisory Board Members, Messrs. Ken Tsunematsu and Kenichi Sekiya.
8. The notice of Outside Directors, Messrs. Takaharu Hirose and Takashi Sawada being independent officers was submitted to Tokyo Stock Exchange, Inc.
9. The notice of Outside Audit & Supervisory Board Members, Messrs. Ken Tsunematsu, Hideki Kato and Kenichi Sekiya being independent officers was submitted to Tokyo Stock Exchange, Inc.
10. Changes in Directors during the current fiscal year
  - 1) President and Representative Director Mr. Shuji Maeda assumed the Chairman and Representative Director on June 1, 2014.
  - 2) Executive Director Mr. Hiroshi Ito assumed the President and Representative Director on June 1, 2014.
  - 3) Director Mr. Junzo Nakayama assumed Executive Director on June 1, 2014.
  - 4) Director Mr. Kenichi Furukawa assumed Executive Director on June 1, 2014.

#### 〈Reference〉

Executive Officers who are not Directors are as follows:

(As of May 1, 2015)

Title	Name
Managing Executive Officer	Toshiyuki Mukai, Masahiro Takeda, Teruhisa Yoshimura, Hideo Morishita, Tsuneo Komatsuzaki, Toshiaki Mizuno
Executive Officer	Takayuki Ito, Ryohei Komatsu, Keitaro Arai, Hiromichi Sonoda, Hiroshi Ishikawa, Yoichi Sugimoto, Tatsuya Izumida, Shokichi Ishimura, Sumiyuki Fukumitsu, Kensuke Shindo, Ichiro Ozeki, Yasufumi Kuwahara

(Notes)

1. Managing Executive Officer Mr. Naohide Nakamura and Executive Officer Mr. Minoru Takaoka were resigned from Managing Executive Officer and Executive Officer, respectively, as of May 31, 2014.
2. Executive Officer Mr. Tsuneo Komatsuzaki was appointed to Managing Executive Officer as of Jun. 1, 2014.
3. Mr. Sumiyuki Fukumitsu was appointed to Executive Officer as of Jun. 1, 2014.
4. Executive Officer Mr. Toshiaki Mizuno was appointed to Managing Executive Officer as of Jan. 1, 2015.
5. Mr. Kensuke Shindo, Mr. Ichiro Ozeki and Mr. Yasufumi Kuwahara were appointed to Executive Officer as of Apr. 1, 2015.

## 2. Remuneration of Directors and Audit & Supervisory Board Members

	Number of Recipients	Combined total of remuneration etc. (Millions of Yen)
Directors	11	426
(of which Outside Directors)	(2)	(16)
Audit & Supervisory Board Members	5	71
(of which Outside Audit & Supervisory Board Members)	(3)	(27)
Total	16	498

(Notes)

Combined total of remuneration etc. for Directors in the above table includes YEN 61 million bonuses to directors for the current fiscal year.

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

### (1) Remuneration of Directors

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

### (2) Remuneration of Audit & Supervisory Board Members

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

#### 4. Outside Directors and Outside Audit & Supervisory Board Members

(1) Activities of Outside Directors and Outside Audit & Supervisory Board Members during the current fiscal year

Category	Name	Attendance of the Meetings of the Board of Directors	Attendance of the Meetings of the Audit & Supervisory Board	Main Activities
Outside Director	Takaharu Hirose	12 (out of 13)	-	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience and insight gained through the foundation and the management of many enterprises and organizations. He also asked questions and stated opinions in order to clarify unclear issues. He also makes efforts to understand the contents of the meetings of the Board of Directors which he had missed by receiving reports on resolutions and such from an operating chief of the Board.
Outside Director	Takashi Sawada	13 (out of 13)	-	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience and insight gained through the foundation and the management of many organizations. He also asked questions and stated opinions in order to clarify unclear issues.

Category	Name	Attendance of the Meetings of the Board of Directors	Attendance of the Meetings of the Audit & Supervisory Board	Main Activities
Outside Audit & Supervisory Board Member	Ken Tsunematsu	13 (out of 13)	11 (out of 12)	<p>He has high level of insight to corporate legal matters and knowledge about management and interests between stakeholders through many domestic and international securities issuing projects and abundance of experience in the area of finance and accounting, which were cultivated in many years as attorney-at-law. He primarily offered advice and suggestions at the meetings of the Board of Directors in order to ascertain the validity and/or appropriateness of operations and management.</p> <p>He also makes efforts to understand the contents of the meetings of the Audit &amp; Supervisory Board which he had missed by being given an explanation about resolutions and such from Full-time Audit &amp; Supervisory Board Members.</p>
Outside Audit & Supervisory Board Member	Hideki Kato	13 (out of 13)	12 (out of 12)	<p>He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience in the execution of national policies and insight gained through many accomplishments at a policy think tank.</p> <p>He also asked questions and stated opinions in order to clarify unclear issues.</p>



Category	Name	Attendance of the Meetings of the Board of Directors	Attendance of the Meetings of the Audit & Supervisory Board	Main Activities
Outside Audit & Supervisory Board Member	Kenichi Sekiya	12 (out of 13)	12 (out of 12)	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience and insight gained through serving as a founding manager and as a representative and chairman of global organizations. He also asked questions and stated opinions in order to clarify unclear issues. He also makes efforts to understand the contents of the meetings of the Board of Directors which he had missed by being given an explanation about resolutions and such from Full-time Audit & Supervisory Board Members.

(2) Description of the agreement limiting liabilities

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

## **IV. Accounting Auditor**

### **1. Name of Accounting Auditor**

KPMG AZSA LLC

### **2. Remuneration of Accounting Auditor**

(1) Remuneration for duties relating to Article 2, Paragraph 1 of the Certified Public Accountants Act to be paid by the Company	YEN 222 million
(2) Total cash and other remuneration to be paid by the Company and subsidiaries to the Accounting Auditor	YEN 607 million

(Notes)

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

### **3. Non-Audit Duties**

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

### **4. Policy for Decision for Dismissal or Non-reappointment**

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

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

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

### **1. Basic Policy Regarding Internal Control System**

At the Board of Directors' Meeting held on April 8, 2015, the Company has resolved to change the "system under which the 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 and the group of enterprises consisting of the Company and subsidiaries is ensured to properly execute its business" (basic policy regarding the internal control system) defined in item (6), paragraph 4, Article 362 of the Companies Act. The content of the resolution is set out below.

#### **(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 the execution of duties by Directors and employees is ensured to comply with laws and regulations and the Articles of Incorporation**

Directors and employees are required to act in accordance with *the SECOM Group Code of Employee Conduct*, which sets behavioral standards for the execution of duties, including compliance with laws and regulations, and the Article of Incorporation. The *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:

- (i) From the start, compliance with laws and regulations and the Articles of Incorporation 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.
- (ii) 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 and other relevant departments and sections support them, providing cross-organization coordination.

[English Translation]

- (iii) Following the orders of the President and Representative Director, the Audit and Compliance Department provides cross-organizational inspection in a timely manner over the execution of duties, indicating how to improve morale through the observance of laws and regulations and the Company's regulations and at the same time pointing out matters that need correction. The Audit and Compliance Department will promptly report the findings of the inspection to the President and Representative Director.
  - (iv) 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" is established to facilitate direct contact with the Audit and Compliance Department if corrective actions are not taken even after reporting to superiors or it is difficult to report. Pursuant to the "Basic Policy of the SECOM Group for Compliance," the Company will keep the reported matters confidential, and promptly take necessary investigation and appropriate measures. The reporter will suffer no disadvantage on the grounds of such report.
  - (v) The Company establishes a standing 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.
  - (vi) Revisions of the 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 the opinions of the Audit & Supervisory Board Members.
  - (vii) Basic plans and policies concerning internal controls related to financial reporting are determined and evaluated in accordance with the standards of the Business Accounting Council.
- (3) **System under which information regarding execution of business by Directors shall be maintained and controlled**

Information regarding the execution of duties of Directors (minutes of the Meetings of the Board of Directors and decision-making documents), etc. shall be properly maintained, administered (including destruction) pursuant to the regulations of the Company, which will be amended upon reviewing the operating conditions if necessary.

(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 Executive officer in charge shall report to the President and Representative Director and the Audit & Supervisory Board on the results of risk analysis and assessment.

(iii) Any important changes of the Company's risk control system shall be subject to the approval of the Board of Directors after obtaining the opinions of the Audit & Supervisory Board Members. The risks at times of large scale calamities and at ordinary times are as follows.

	Risk Category	Example
Large scale calamity	(1) Large scale calamity risk	Earthquake, wind, flood, volcanic disasters, radiation leakage, etc.
Ordinary times	(2) Compliance risk	Noncompliance with "Constitution of SECOM's Business and Operation," "SECOM Group Code of Employee Conduct," other internal rules and guidelines, etc., risk accompanied by establishment or changes in regulations (in the area of tax system, medical system, etc.), breach of law, etc.
	(3) System risk	Information system shut down, electronic data extinguishment, large scale blackout, wide area circuit disturbance, ICT (information and communication technology) related risk, etc.
	(4) Service providing risk	Risk incurred when providing services (Accidents related to security, fire alarm or equipment maintenance businesses, etc.)
	(5) Administrative work and accounting risk	Input error or input omission in administrative or account processing, estimation error for allowance, etc.
	(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 shall carry out the operation and execution of business on the basis of the "Constitution of SECOM's Business and Operation" so that they may share the ideas essential to the execution of the duties such as decision making for management by the Board of Directors and decision making for the execution of duties by the Directors.

(ii) On the basis of the preceding item, the Company, aiming to implement the execution of duties efficiently, introduces the system of executive officers so that decision making and the execution of business shall be further facilitated.

- (iii) The Company develops the IT system for dissemination of notices, etc., and decision making by managerial decision requests, and maintains the system for swiftly enabling full introduction and implementation.
  - (iv) The Company will share the medium and long term business vision, and for the purpose of the accomplishment thereof, the Board of Directors will design an annual business plan and deliberate the progress of the plan.
- (6) System under which the group of enterprises consisting of the Company and subsidiaries is ensured to properly execute its business**
- (6-1) System under which the execution of duties by Directors, etc. and employees of subsidiaries is ensured to comply with laws and regulations and the Articles of Incorporation**
- (i) Abiding by the “Constitution of SECOM’s Business and Operation,” each of the subsidiaries shares the *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) Each of the subsidiaries carries out IT controls 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.
  - (iii) 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 major 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. Where necessary, the President and Representative Director reports the results to the Board of Directors and the Audit & Supervisory Board.
  - (iv) The President and Representative Director of the Company issues orders to the internal audit departments (Audit and Compliance Department and Group Governance Division) to inspect subsidiaries, if necessary. The subsidiaries accept the inspection by the Company, and at the same time promote the understanding and improvement of compliance-related issues by exchanging information with the Company. Furthermore, the Company establishes the whistle-blowing system “Hot Help Line” which enables executives and employees of subsidiaries to directly report to the Company’s Group Governance Division, whenever they become aware of any non-compliance. Pursuant to the “Basic Policy of the SECOM Group for Compliance,” the Company will keep the reported matters confidential, and promptly take necessary investigation and appropriate measures. The reporter will suffer no disadvantage on the grounds of such report.
  - (v) The Audit & Supervisory Board Members of the Company visit major subsidiaries and conduct audits regarding internal controls.
  - (vi) The Company establishes a liaison meeting with Group Audit & Supervisory Board Members after discussion with its Audit & Supervisory Board in an attempt to share information.

**(6-2) System under which the matters related to the execution of duties by Directors, etc., of subsidiaries are reported to the Company**

In order to enhance Group synergy leading to the achievement of the business vision by the entire SECOM Group, the Company establishes and implements the “Basic Rules for SECOM Group Corporate Management,” which clarify the guidelines for the reporting of the important items, the items to be coordinated in advance with the Company and the items to be approved by the Company.

**(6-3) Regulations and other systems for controlling risks of loss of subsidiaries**

Pursuant to the “Meaning of the Risk Control and Risk Control Basic Policy for SECOM and SECOM Group,” the subsidiaries develop risk control systems. Furthermore, upon the occurrence of important events, the subsidiaries will take appropriate measures under the Company’s control.

**(6-4) System which ensures that Directors, etc., of the subsidiaries execute their duties efficiently**

- (i) All Directors of the subsidiaries will efficiently carry out the operation and execution of business on the basis of the “Constitution of SECOM’s Business and Operation.”
- (ii) The Company and the subsidiaries will formulate the business plans for the next year based on the business vision by the entire SECOM Group, and confirm the progress of the plans.

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

- (i) The Company establishes the system to assist audit duties, by establishing the Office of Audit & Supervisory Board manned by at least two employees who are fully familiarized with the exclusive duties and internal situations.
- (ii) The assistants for the Audit & Supervisory Board Members may conduct investigations necessary for the audit by the Audit & Supervisory Board Members, following the instructions of the Audit & Supervisory Board Members.

**(8) Matters related to the independence of the employees in item (7) from Directors and ensuring the effectiveness of the instructions of the Audit & Supervisory Board Members**

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

**(9) The following systems and other systems under which any report is made to Audit & Supervisory Board Members**

**(9-1) System under which Directors and Accounting Advisors and employees make any reports to the Audit & Supervisory Board Members**

- (i) Upon discussion with the Audit & Supervisory Board, the following matters shall be considered as the matters to be reported by Directors to the Audit & Supervisory Board Members.
  - (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; and
  - (6) important matters from viewpoint of compliance.
- (ii) Notwithstanding (i) above, the Audit & Supervisory Board Members may, where necessary and in a timely manner, request that Directors and employees make a report.
- (iii) The matters reported to the “Hot Help Line” will be reported to the Audit & Supervisory Board Members from the Audit and Compliance Department.

**(9-2) System under which persons executing duties as the subsidiary’s Directors, Accounting Advisors, Audit & Supervisory Board Members, Executive Officers, members who execute the business, etc., other persons equivalent to such persons, and employees, or any persons receiving reports from these persons, make reports to the Audit & Supervisory Board Members**

The matters reported to the “Hot Help Line” will be reported to the Audit & Supervisory Board Members from the Group Governance Division.

**(10) System which ensures that the persons who made the reports under (9) above will not be treated disadvantageously on the grounds of such reports**

Pursuant to the “Basic Policy of the SECOM Group for Compliance,” the Company will keep the reported matters confidential, and promptly take necessary investigation and appropriate measures, while the reporter will suffer no disadvantage on the grounds of such report.

**(11) Matters regarding the policies for the procedures of the advance payment or reimbursement of expenses incurred for the execution of duties by the Audit & Supervisory Board Members and other processing of expenses or debts incurred for the execution of such duties**

The Company bears the expenses incurred for the execution of duties by the Audit & Supervisory Board Members.

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

- (i) The Company establishes the system under which the Audit & Supervisory Board shall regularly hold meetings with the President and Representative Director and the Accounting Auditor, to exchange opinions so that audits shall be performed efficiently.
- (ii) The Audit & Supervisory Board Members attend the meetings of the Board of Directors, attend important meetings to exchange opinions regarding overall management-related matters if necessary, and conduct periodical interviews with Directors and employees of the Company and the subsidiaries.
- (iii) The Company ensures that the Audit & Supervisory Board may retain attorneys-at-law at its discretion and, if necessary, have opportunities to retain and consult professional accountants with respect to their audit duties.

(Note) Under the revision dated April 8, 2015, expressions are changed to more specific ones, mainly with respect to the system under which the group of



enterprises consisting of the Company and subsidiaries is ensured to properly execute its business and the systems to support audits, in line with the enforcement of the “Act for Partial Revision of the Companies Act” and the “Ministerial Ordinance for Partial Revision of the Ordinance for Enforcement of the Companies Act” on May 1, 2015.

## **2. Organizations etc. Relating to Internal Control System (as of May 1, 2015)**

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 the Representative Directors execute business; and Audit & Supervisory Board Members, including 3 Outside Audit & Supervisory Board Members, and the Board of Directors, coordinating with internal audit departments etc. audit and oversee Directors and executive officers in the execution of their duties. Under such structure, the Company has appointed 2 Outside Directors for the purpose of introducing outsider’s viewpoint to secure legality and objectivity of management. More details are provided below.

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

#### **(i) Directors and Board of Directors**

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

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

#### **(ii) Executive Officers**

The Company has an executive officer system by which decisions are made by the 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 26 Executive Officers, including 8 Directors.

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

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

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

Audit & Supervisory Board Members attend almost every meeting of the Board of Directors in addition to other important conferences, exchange opinions relating to corporate management in general, receive reports on the status of execution of duties from Directors etc. and conduct audits

focusing on whether there are any facts of violations of laws, regulations, the Articles of Incorporation or shareholders' interests.

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

Major Activities in the current fiscal year

- (i) Audit & Supervisory Board Members' attendance rate at meetings of the Board of Directors: 98.4%
- (ii) Audit & Supervisory Board Members' attendance rate at meetings of the Audit & Supervisory Board: 98.3%
- (iii) Conducted interviews with Directors etc. of the Company and its subsidiaries and affiliates: 56 times
- (iv) Conducted on-site audits at business locations of the Company, its subsidiaries, affiliates, etc.: 180 locations

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

- (i) Periodic Meetings among Representative Director, etc. and Audit & Supervisory Board Members:  
Audit & Supervisory Board Members hold meetings with the Representative Directors, etc. with the presence of Chairman and Director periodically (once a month). At the meeting, Audit & Supervisory Board Members report the results of audits etc. and exchange opinions on important issues regarding management, to share mutual recognition.
- (ii) Conferences etc. among Audit & Supervisory Board Members and the Accounting Auditor:  
Audit & Supervisory Board Members hold periodical meetings with the Accounting Auditor 6 times a year and have ones additionally as necessary, and exchange opinions and information. Audit & Supervisory Board Members and the Audit & Supervisory Board receive explanation and exchange opinions regarding the audit plan and audit results\* from the Accounting Auditor. In addition, Audit & Supervisory Board Members present themselves as a witness during visiting audits and audit review conducted by the Accounting Auditor as necessary. (Attended 17 times in the current fiscal year)  
\* including the result of quarterly reviews and audit under the Companies Act.
- (iii) Cooperation with Internal Audit Division etc.:  
Audit & Supervisory Board Members hold conferences with the Audit and Compliance Department periodically (once a month), are reported to on audit results and exchange opinions with them. Audit & Supervisory Board Members endeavor to conduct audits in an efficient manner such as requesting the internal audit division etc. to conduct an investigation as necessary.

## Consolidated Balance Sheet

(As of March 31, 2015)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<b><u>ASSETS</u></b>		<b><u>LIABILITIES</u></b>	
<b>Current assets:</b>	<b>(600,146)</b>	<b>Current liabilities:</b>	<b>(247,755)</b>
Cash on hand and in banks	232,221	Notes and accounts payable, trade	43,160
Cash deposits for armored car services	50,395	Bank loans	44,965
Call loans	15,500	Current portion of straight bonds	1,414
Notes and accounts receivable, trade	114,071	Lease obligations	503
Due from subscribers	26,316	Payables – other	33,849
Short-term investments	28,517	Accrued income taxes	21,063
Lease receivables and investment in leased assets	39,242	Accrued consumption taxes	12,878
Inventories	35,568	Accrued expenses	4,653
Real estate inventories	24,122	Deferred revenue	31,348
Deferred income taxes	12,808	Accrued bonuses	14,652
Short-term loans receivable	2,268	Reserve for losses on construction contracts	1,612
Other	21,111	Other	37,653
Allowance for doubtful accounts	(1,997)	<b>Long-term liabilities:</b>	<b>(255,618)</b>
<b>Fixed assets:</b>	<b>(810,541)</b>	Straight bonds	8,413
<b>Tangible assets:</b>	<b>(362,161)</b>	Long-term loans	20,602
Buildings and improvements	148,375	Lease obligations	3,712
Security equipment and control stations	70,478	Guarantee deposits received	36,000
Land	119,604	Deferred income taxes	13,554
Other	23,702	Accrued retirement benefits for directors and audit & supervisory board members	1,415
<b>Intangible assets:</b>	<b>(49,411)</b>	Net defined benefit liability	18,504
Software	14,356	Investment deposits by policyholders, unearned premiums and other insurance liabilities	150,119
Goodwill	14,564	Other	3,295
Other	20,489	<b>Total liabilities</b>	<b>503,374</b>
<b>Investments and others:</b>	<b>(398,969)</b>	<b><u>NET ASSETS</u></b>	
Investment securities	284,322	<b>Shareholders' equity:</b>	<b>(767,630)</b>
Long-term loans receivable	42,904	Common stock	66,377
Long-term prepaid expenses	25,286	Capital surplus	80,265
Net defined benefit asset	35,010	Retained earnings	694,688
Deferred income taxes	4,874	Common stock in treasury, at cost	(73,701)
Other	24,096	<b>Accumulated other comprehensive income:</b>	<b>(32,815)</b>
Allowance for doubtful accounts	(17,525)	Unrealized gains on securities	26,981
<b>Deferred assets:</b>	<b>(26)</b>	Deferred losses on hedges	(34)
Other	26	Foreign currency translation adjustments	1,477
		Remeasurements of defined benefit plans, net of taxes	4,390
		<b>Minority interests in subsidiaries:</b>	<b>(106,895)</b>
		<b>Total net assets</b>	<b>907,341</b>
<b>TOTAL ASSETS</b>	<b>1,410,715</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,410,715</b>

## Consolidated Statement of Income

(Fiscal Year from April 1, 2014 to March 31, 2015)

(Millions of Yen)

ITEM	AMOUNT	
<b>Revenue</b>		<b>840,722</b>
Costs of revenue	557,884	
<b>Gross profit</b>		<b>282,837</b>
Selling, general and administrative expenses	159,222	
<b>Operating profit</b>		<b>123,615</b>
<b>Non-operating income:</b>		
Interest income	1,033	
Dividends income	653	
Gain on sales of investment securities	86	
Net gains from investment in affiliates accounted for under the equity method	4,812	
Gain on private equity investments	9,269	
Other	2,509	18,366
<b>Non-operating expenses:</b>		
Interest expenses	946	
Loss on sales of investment securities	0	
Loss on sales and disposal of fixed assets	2,437	
Write-off of long-term prepaid expenses	651	
Provision of allowance for doubtful accounts	362	
Other	893	5,293
<b>Ordinary profit</b>		<b>136,688</b>
<b>Extraordinary profit:</b>		
Gain on sales of fixed assets	1,764	
Gain on sales of investment securities	43	
Other	154	1,962
<b>Extraordinary losses:</b>		
Impairment losses on fixed assets	4,933	
Loss on valuation of investment in capital	3,635	
Loss on sales of fixed assets	39	
Loss on revaluation of investment securities	21	
Other	2,755	11,384
<b>Income before income taxes</b>		<b>127,265</b>
Income taxes- current	43,156	
Income taxes - deferred	(37)	43,119
<b>Net income before minority interests in subsidiaries</b>		<b>84,146</b>
Minority interests in subsidiaries		8,754
<b>Net income</b>		<b>75,392</b>

## Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2014 to March 31, 2015)

(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>656,286</b>	<b>(73,682)</b>	<b>732,036</b>
Accumulated effect of changes in accounting policies		(2,762)	1,205		(1,557)
<b>Balance at the beginning of the fiscal year after changes in accounting policies</b>	<b>66,377</b>	<b>80,291</b>	<b>657,492</b>	<b>(73,682)</b>	<b>730,479</b>
<b>Changes in the fiscal year:</b>					
Cash dividends			(38,196)		(38,196)
Net income			75,392		75,392
Purchase of treasury stock				(19)	(19)
Disposal of treasury stock		0		0	0
Changes due to purchase of shares of controlled subsidiaries		(26)			(26)
Net changes of items other than shareholders' equity					
<b>Total changes in the fiscal year</b>	<b>-</b>	<b>(25)</b>	<b>37,195</b>	<b>(18)</b>	<b>37,151</b>
<b>Balance at the end of the fiscal year</b>	<b>66,377</b>	<b>80,265</b>	<b>694,688</b>	<b>(73,701)</b>	<b>767,630</b>

	Accumulated other comprehensive income					Minority interests in subsidiaries	Total net assets
	Unrealized gains on securities	Deferred losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income		
<b>Balance at the beginning of the fiscal year</b>	<b>12,504</b>	<b>(33)</b>	<b>(10,885)</b>	<b>(3,506)</b>	<b>(1,921)</b>	<b>100,253</b>	<b>830,369</b>
Accumulated effect of changes in accounting policies						(115)	(1,673)
<b>Balance at the beginning of the fiscal year after changes in accounting policies</b>	<b>12,504</b>	<b>(33)</b>	<b>(10,885)</b>	<b>(3,506)</b>	<b>(1,921)</b>	<b>100,137</b>	<b>828,696</b>
<b>Changes in the fiscal year:</b>							
Cash dividends							(38,196)
Net income							75,392
Purchase of treasury stock							(19)
Disposal of treasury stock							0
Changes due to purchase of shares of controlled subsidiaries							(26)
Net changes of items other than shareholders' equity	14,476	(0)	12,362	7,897	34,736	6,757	41,494
<b>Total changes in the fiscal year</b>	<b>14,476</b>	<b>(0)</b>	<b>12,362</b>	<b>7,897</b>	<b>34,736</b>	<b>6,757</b>	<b>78,645</b>
<b>Balance at the end of the fiscal year</b>	<b>26,981</b>	<b>(34)</b>	<b>1,477</b>	<b>4,390</b>	<b>32,815</b>	<b>106,895</b>	<b>907,341</b>

## Non-Consolidated Balance Sheet

(As of March 31, 2015)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<b><u>ASSETS</u></b>		<b><u>LIABILITIES</u></b>	
<b>Current assets:</b>	<b>(210,048)</b>	<b>Current liabilities:</b>	<b>(118,647)</b>
Cash on hand and in banks	93,569	Accounts payable	3,172
Cash deposits for armored car services	48,396	Bank loans	29,416
Notes receivable	640	Lease obligations	185
Due from subscribers	16,066	Payables – other	15,675
Accounts receivable, trade	11,202	Accrued income taxes	10,826
Receivables – other	3,054	Accrued consumption taxes	7,088
Short-term investments	437	Accrued expenses	800
Merchandise	6,694	Deposits received	16,784
Supplies	1,379	Deferred revenue	21,269
Prepaid expenses	2,210	Payables – construction	4,480
Deferred income taxes	4,415	Accrued bonuses	6,296
Short-term loans receivable	20,423	Other	2,651
Other	1,772		
Allowance for doubtful accounts	(216)		
<b>Fixed assets:</b>	<b>(585,730)</b>	<b>Long-term liabilities:</b>	<b>(26,998)</b>
<b>Tangible assets:</b>	<b>(118,548)</b>	Lease obligations	2,661
Buildings and improvements	16,458	Guarantee deposits received	17,286
Automobiles	824	Deferred income taxes	3,400
Security equipment and control stations	67,715	Accrued pension and severance costs	3,241
Machinery and equipment	192	Other	408
Tools, furniture and fixtures	3,326		
Land	28,303		
Construction in progress	1,714		
Other	12		
<b>Intangible assets:</b>	<b>(5,375)</b>		
Software	4,644		
Other	730		
<b>Investments and others:</b>	<b>(461,806)</b>		
Investment securities	29,725		
Investments in subsidiaries and affiliates	241,058		
Long-term loans receivable	150,955		
Lease deposits	7,526		
Long-term prepaid expense	22,126		
Prepaid pension and severance costs	21,530		
Insurance funds	4,294		
Other	2,534		
Allowance for doubtful accounts	(17,946)		
		<b>Total liabilities</b>	<b>145,646</b>
		<b><u>NET ASSETS</u></b>	
		<b>Shareholders' equity:</b>	<b>(643,784)</b>
		<b>Common stock</b>	<b>(66,377)</b>
		<b>Capital surplus:</b>	<b>(83,054)</b>
		Additional paid-in capital	83,054
		Other capital surplus	0
		<b>Retained earnings:</b>	<b>(568,053)</b>
		Legal reserve	9,028
		Other retained earnings	559,025
		Reserve for system developments	800
		General reserve	2,212
		Accumulated earnings carried forward	556,013
		<b>Common stock in treasury, at cost</b>	<b>(73,701)</b>
		<b>Valuation, translation adjustments and others:</b>	<b>(6,347)</b>
		<b>Unrealized gains on securities</b>	<b>(6,347)</b>
		<b>Total net assets</b>	<b>650,132</b>
<b>TOTAL ASSETS</b>	<b>795,778</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>795,778</b>

## Non-Consolidated Statement of Income

(Fiscal Year from April 1, 2014 to March 31, 2015)

(Millions of Yen)

ITEM	AMOUNT	
<b>Revenue</b>		<b>370,663</b>
Costs of revenue	221,441	
<b>Gross profit</b>		<b>149,221</b>
Selling, general and administrative expenses	76,046	
<b>Operating profit</b>		<b>73,174</b>
<b>Non-operating income:</b>		
Interest income	1,751	
Dividends income	9,211	
Other	751	11,714
<b>Non-operating expenses:</b>		
Interest expenses	293	
Loss on sales and disposal of fixed assets	2,241	
Write-off of long-term prepaid expenses	555	
Other	225	3,316
<b>Ordinary profit</b>		<b>81,572</b>
<b>Extraordinary profit:</b>		
Gain on sales of tangible assets	1,540	
Other	130	1,670
<b>Extraordinary losses:</b>		
Impairment losses on fixed assets	1,424	
Overseas tax related loss	781	
Provision for allowance for doubtful accounts	303	
Other	295	2,805
<b>Income before income taxes</b>		<b>80,437</b>
Income taxes - current	22,816	
Income taxes - deferred	128	22,945
<b>Net income</b>		<b>57,492</b>



## Non-Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2014 to March 31, 2015)

(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	0	83,054
Accumulated effect of changes in accounting policies				-
<b>Balance at the beginning of the fiscal year after changes in accounting policies</b>	66,377	83,054	0	83,054
<b>Changes in the fiscal year:</b>				
Cash dividends				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			0	0
Net changes of items other than shareholders' equity				
<b>Total changes in the fiscal year</b>	-	-	0	0
<b>Balance at the end of the fiscal year</b>	66,377	83,054	0	83,054

(Millions of Yen)

	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>	<b>9,028</b>	<b>800</b>	<b>2,212</b>	<b>536,978</b>	<b>549,018</b>
Accumulated effect of changes in accounting policies				(260)	(260)
<b>Balance at the beginning of the fiscal year after changes in accounting policies</b>	<b>9,028</b>	<b>800</b>	<b>2,212</b>	<b>536,717</b>	<b>548,757</b>
<b>Changes in the fiscal year:</b>					
Cash dividends				(38,196)	(38,196)
Net income				57,492	57,492
Purchase of treasury stock					
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
<b>Total changes in the fiscal year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,295</b>	<b>19,295</b>
<b>Balance at the end of the fiscal year</b>	<b>9,028</b>	<b>800</b>	<b>2,212</b>	<b>556,013</b>	<b>568,053</b>

(Millions of Yen)

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Common stock in treasury, at cost	Total shareholders' equity	Unrealized gains on securities	Total valuation, translation adjustments and others	
<b>Balance at the beginning of the fiscal year</b>	(73,682)	624,768	2,473	2,473	627,242
Accumulated effect of changes in accounting policies		(260)			(260)
<b>Balance at the beginning of the fiscal year after changes in accounting policies</b>	(73,682)	624,507	2,473	2,473	626,981
<b>Changes in the fiscal year:</b>					
Cash dividends		(38,196)			(38,196)
Net income		57,492			57,492
Purchase of treasury stock	(19)	(19)			(19)
Disposal of treasury stock	0	0			0
Net changes of items other than shareholders' equity			3,873	3,873	3,873
<b>Total changes in the fiscal year</b>	(18)	19,277	3,873	3,873	23,150
<b>Balance at the end of the fiscal year</b>	(73,701)	643,784	6,347	6,347	650,132

## 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 15, 2015

The Board of Directors  
SECOM Co., Ltd.

KPMG AZSA LLC

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

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

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of SECOM Co., Ltd. as at March 31, 2015 and for the year from April 1, 2014 to March 31, 2015 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

[English Translation]

policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

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

**Other Matter**

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

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

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

### **Independent Auditor's Report**

May 15, 2015

The Board of Directors  
SECOM Co., Ltd.

KPMG AZSA LLC

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

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

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of SECOM Co., Ltd. as at March 31, 2015 and for the 54th business year from April 1, 2014 to March 31, 2015 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

[English Translation]

an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

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

### **Opinion**

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

### **Other Matter**

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

## Certified Copy of the Audit & Supervisory Board's Report

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

### Audit Report

May 19, 2015

Mr. Hiroshi Ito  
President and Representative Director  
SECOM Co., Ltd.

Audit & Supervisory Board of  
SECOM Co., Ltd.

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

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

Ken Tsunematsu (Seal)  
Outside Audit & Supervisory  
Board Member

Hideki Kato (Seal)  
Outside Audit & Supervisory  
Board Member

Kenichi Sekiya (Seal)  
Outside Audit & Supervisory  
Board Member

The Audit & Supervisory Board has received the audit reports of the performance of duties of the Directors during the 54th business term from April 1, 2014 through March 31, 2015 from each of the Audit & Supervisory Board Members. After deliberating such reports, we have prepared this Audit Report and report as follows:

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

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

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



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 complies with laws and regulations and the Articles of Incorporation and to ensure appropriate company operation, obtained explanation from them, and expressed opinions when necessary.

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

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

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

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

## 2. Result of audit

### (1) Result of audit of business report etc.

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

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

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

### (3) Result of audit of consolidated financial statements

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

End