



Notice of Convocation

The 56th Ordinary General Meeting of Shareholders

The following is an English translation of the Notice of Convocation of the 56th Ordinary General Meeting of Shareholders of SECOM CO., LTD. to be held on June 27, 2017, except for the translation of the INSTRUCTION ON ONLINE VOTING and the ACCESS MAP FOR THE PLACE OF THE MEETING in the Notice. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

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

Stock Exchange Code: 9735

June 5, 2017

**Notice of Convocation of
The 56th Ordinary General Meeting of Shareholders**

Dear Shareholders:

You are cordially invited to attend the 56th 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 26, 2017 (Monday):

[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.evote.jp/>), using the log-in ID and temporary password which are shown on the Voting Rights Exercise Form. After logging in, please indicate whether you approve or disapprove the items on the agenda by following the instructions on the display screen by the time limit stated above.

Yours very truly,

SECOM CO., LTD.

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

By: YASUO NAKAYAMA
President and Representative Director

[English Translation]

(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.

PARTICULARS

1. Date and Time of the Meeting:

Tuesday, June 27, 2017 at 10:00 a.m.

2. Place of the Meeting:

Bersarle Hanzomon, Sumitomo Fudosan Hanzomon-Ekimaie 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 56th Fiscal Year (from April 1, 2016 to March 31, 2017) 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 56th Fiscal Year (April 1, 2016 to March 31, 2017).

Matters to be Resolved upon:

First Item of Business:	Proposed Distribution of Surplus
Second Item of Business:	Election of Eleven (11) Directors
Third Item of Business:	Election of One (1) Audit & Supervisory Board Member
Fourth Item of Business:	Determination of Remuneration payable to Directors enabling non-transferable stock to be granted to Directors

4. Matters related to Exercise of Voting Rights:

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

- 3) In the event that a shareholder exercises voting rights via the Internet more than once, the Company will consider the last exercise of voting rights to be valid.

(Internet disclosure)

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

- 1) "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements
- 2) "Notes to Non-Consolidated Financial Statements" in the Non-Consolidated Financial Statements
The Company's Website: <https://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 (<https://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 whose record date is September 30 each year, and the year-end dividend whose 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 75 per share. A total amount of dividend per share, together with the interim dividend of YEN 70 per share, will be YEN 145, an increase of YEN 10 per share from the previous fiscal year in which dividend was YEN 135 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 75 per share of common stock of the Company
The total amount: YEN 16,369,518,525
- (3) Effective date for distribution of surplus:
June 28, 2017

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

The term of office of all of the ten (10) Directors will expire at the close of this Meeting. In connection therewith, we would like to ask shareholders to elect eleven (11) Directors in which ten (10) are to resume and the other one (1) is newly to assume office.

The candidates are as follows:

Candidate Number 1

Makoto Iida

(Date of birth: April 1, 1933)



Number of Shares
of the Company
Owned
4,240,500
shares

■ Brief History, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed, if any

Jul 1962 President and Representative Director (Founder)
Feb 1976 Chairman and Representative Director
Jun 1997 Supreme Advisor and Director (currently)

■ Reasons for Election

Mr. Makoto Iida established the current SECOM group as the founder of the Company, and gives guidance and advice on overall management from the long-term and wide range of viewpoints. In the light of continuous enhancement of corporate value, we would like to ask shareholders to elect him as Director.

Candidate Number 2

Yasuo Nakayama*

(Date of birth: November 1, 1952)



Number of Shares
of the Company
Owned
3,900 shares

■ Brief History, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed, if any

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
May 2016 President and Representative Director (currently)

■ Reasons for Election

Mr. Yasuo Nakayama has assumed the office of Representative Director of the Company since May 2016 on the basis of a long term period of career at The Bank of Japan and engagement as Director in the general affairs division of the Company. Following the assumption of the office of Representative Director, he made the Company perform the favorable results of operation for the year under review with his strong leadership and management ability. He also has carried out steadily management renovation from a viewpoint of mid- and long-term targets. In the light of continuous enhancement of corporate value, we would like to ask shareholders to elect him as Director.

[English Translation]

**Candidate
Number
3**

Junzo Nakayama*

(Date of birth: February 24, 1958)



Number of Shares
of the Company
Owned
1,700 shares

■ Brief History, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed, if any

Mar 1980 Joined SECOM Co., Ltd.
Nov 1999 President and Representative Director, Japan Image Communications Co., Ltd. (presently Turner Japan K. K.)
Dec 2009 Associate General Manager, Strategic Planning Office
Jun 2010 Associate General Manager, Assistant to President in charge of special tasks
Jan 2011 Deputy General Manager, Finance Division
Jun 2012 Director
Jun 2014 Executive Director (currently)

■ Reasons for Election

Mr. Junzo Nakayama served for the finance and accounting departments as Director, in addition to affluent management experience at SECOM group. He has a high level of knowledge and experience in overall management including finance area. In the light of continuous enhancement of corporate value, we would like to ask shareholders to elect him as Director.

**Candidate
Number
4**

Yasuyuki Yoshida*

(Date of birth: March 28, 1958)



Number of Shares
of the Company
Owned
2,400 shares

■ Brief History, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed, if any

Mar 1980 Joined SECOM Co., Ltd.
Feb 1997 Associate General Manager, Strategic Planning Division
Sep 1998 Director, Toyo Fire and Marine Insurance Co., Ltd. (presently Secom General Insurance Co., Ltd.)
Jun 2002 President and Representative Director, Secom General Insurance Co., Ltd.
Apr 2010 Executive Officer
Jun 2010 Group Companies Supervisor (currently)
Jun 2012 Director
Jun 2016 Executive Director (currently)

■ Reasons for Election

Mr. Yasuyuki Yoshida served in charge of overall business planning, including security business and overall management planning of the group, including supervising group companies as Director. He holds a high level of knowledge and experience in overall management including management control and strategic planning areas based on affluent management experience at SECOM group. In the light of continuous enhancement of the corporate value, we would like to ask shareholders to elect him as Director.

**Candidate
Number
5**

Tatsuya Izumida*

(Date of birth: November 3, 1960)



Number of Shares
of the Company
Owned
900 shares

■ Brief History, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed, if any

Mar 1986 Joined SECOM Co., Ltd.
Jun 2003 Executive Director, Secom Information System Co., Ltd. (presently Secom Trust Systems Co., Ltd.)
Jul 2009 General Manager, Training Department
May 2010 General Manager, Human Resource Department
Oct 2012 Executive Officer
Jun 2014 President and Representative Director, Secom Trust Systems Co., Ltd.
Dec 2015 Managing Executive Officer
Jun 2016 Director (currently)

■ Reasons for Election

Mr. Tatsuya Izumida served for human resource department and information and communication related business as Director of the Company. He holds affluent experience in management of SECOM group and a high level of knowledge. In the light of continuous enhancement of the corporate value, we would like to ask shareholders to elect him as Director.

**Candidate
Number
6**

Ichiro Ozeki*

(Date of birth: March 1, 1961)



Number of Shares
of the Company
Owned
300,000 shares

■ Brief History, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed, if any

Apr 1983 Joined Sumitomo Bank, Ltd. (presently Sumitomo Mitsui Banking Corporation)
Apr 1992 Joined Tokyo Steel Manufacturing Co., Ltd.
Jan 2001 Advisor, Secom General Insurance Co., Ltd.
Apr 2001 General Manager, Sales and Planning Department, Secom General Insurance Co., Ltd.
Jun 2001 Director, Secom General Insurance Co., Ltd.
Jun 2004 Executive Director, Secom General Insurance Co., Ltd.
Jun 2008 Vice President and Director, Secom General Insurance Co., Ltd.
Apr 2010 President and Representative Director, Secom General Insurance Co., Ltd.
Apr 2015 Executive Officer
Jun 2016 Chairman and Director, Secom General Insurance Co., Ltd. (currently)
Jun 2016 Director (currently)

■ Reasons for Election

Mr. Ichiro Ozeki has engaged in overall operation of security business mainly in corporate customers and insurance business as Director. Based on affluent experience in management of SECOM group he holds a high level of knowledge and insight on overall management including security business. In the light of continuous enhancement of the corporate value, we would like to ask shareholders to elect him as Director.

**Candidate
Number
7**

Tatsushi Kurihara*

(Date of birth: June 5, 1961)



Number of Shares
of the Company
Owned
100 shares

■ Brief History, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed, if any

Jul 2008 Branch Manager, Niigata Branch, The Bank of Japan
Jul 2010 Deputy Director-General, Financial System and Bank Examination Department, The Bank of Japan
Jun 2014 Director-General and Internal Auditor, Internal Auditors' Office, The Bank of Japan
May 2016 Advisor, SECOM Co., Ltd.
Jun 2016 Director (currently)

■ Reasons for Election

Mr. Tatsushi Kurihara holds affluent experience through a long period at The Bank of Japan and the general affairs department of the Company serving as Director. In the light of continuous enhancement of the corporate value, we would like to ask shareholders to elect him as Director.

**Candidate
Number
8**

Tatsuro Fuse*

(Date of birth: September 9, 1957)

New Candidate



Number of Shares
of the Company
Owned
2,800 shares

■ Brief History, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed, if any

Mar 1982 Joined SECOM Co., Ltd.
Apr 2001 General Manager, Project Development Department, Medical Division
Mar 2002 Director, Secom Medical System Co., Ltd.
May 2005 Executive Director, Secom Medical System Co., Ltd.
Jun 2008 Senior Executive Director, Secom Medical System Co., Ltd.
Jun 2009 President and Representative Director, Secom Medical System Co., Ltd.
Apr 2010 Executive Officer
Jun 2013 Director (retired in Jun. 2016)
Apr 2016 Chairman and Representative Director, Secom Medical System Co., Ltd. (currently)
Jun 2016 Managing Executive Officer (currently)

<Important Position of Other Organizations Concurrently Assumed>
Chairman and Representative Director, Secom Medical System Co., Ltd.

■ Reasons for Election

Mr. Tatsuro Fuse has been engaged in medical service business as well as the division of advertising, public relations and marketing as Executive Officer of the Company and holds affluent management experience and a high level of knowledge and insight in SECOM group. In the light of continuous enhancement of the corporate value, we would like to ask shareholders to elect him as Director.

**Candidate
Number
9**

Takaharu Hirose

Candidate for Outside Director

(Date of birth: October 25, 1944)



Number of Shares
of the Company
Owned
0 shares

■ Brief History, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed, if any

- 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. (presently Monitas, Inc.)
 - May 2008 President and Representative Director, GAIN Inc.
 - May 2011 Chairman and Representative Director, GAIN Inc. (currently)
 - Jun 2013 Director, SECOM Co., Ltd. (currently)
- <Important Position of Other Organizations Concurrently Assumed>
Chairman and Representative Director, Monitas, Inc.

■ Reasons for Election

Mr. Takaharu Hirose established and managed venture business and made efforts to establish and operate industry groups so that he contributed to development of business and industry. He holds affluent experience in and a high level of knowledge of IT enterprises. In the light of continuous enhancement of corporate value, we would like to ask shareholders to elect him as Outside Director.

**Candidate
Number
10**

Hirobumi Kawano

Candidate for Outside Director

(Date of birth: Jan 1, 1946)



Number of Shares
of the Company
Owned
0 shares

■ Brief History, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed, if any

- Jul 1969 Joined Ministry of International Trade and Industry (MITI) (presently Ministry of Economy, Trade and Industry (METI))
- Jun 1995 Director-General, Petroleum Department, Agency for Natural Resources and Energy, MITI
- Aug 1996 Deputy Director-General, Machinery Information Industries Bureau, MITI
- Jun 1998 Director-General, Basic Industries Bureau, MITI
- Sep 1999 Commissioner, Agency for Natural Resources and Energy, METI
- Jul 2002 Retired Agency for Natural Resources and Energy, METI
- Sep 2002 Advisor, The Tokio Marine and Fire Insurance Co., Ltd. (presently Tokio Marine & Nichido Fire Insurance Co., Ltd.)
- Jun 2003 Outside Director, Sony Corporation
- Aug 2004 Senior Managing Executive Officer, JFE Steel Corporation
- Apr 2008 President, Japan Oil, Gas and Metals National Corporation
- Feb 2016 Special Advisor, Japan Oil, Gas and Metals National Corporation (currently)
- Jun 2016 Director, SECOM Co., Ltd. (currently)

■ Reasons for Election

Mr. Hirobumi Kawano has a career in important positions at the government offices such as the Ministry of International Trade and Industry (presently Ministry of Economy, Trade and Industry) and Japan Oil, Gas and Metals National Corporation. He holds affluent experience accumulated through his career and a high level of

[English Translation]

knowledge. In the light of continuous enhancement of the corporate value, we would like to ask shareholders to elect him as Outside Director.

**Candidate
Number
11**

Hajime Watanabe

(Date of birth: November 18, 1951)

Candidate for Outside Director



Number of Shares
of the Company
Owned
100 shares

■ Brief History, Position, Responsibility, and Important Position of Other Organizations Concurrently Assumed, if any

Mar 1975 Joined Watanabe Pipe Co., Ltd.
Apr 1978 Executive Director, Watanabe Pipe Co., Ltd.
Apr 1983 Senior Executive Director, Watanabe Pipe Co., Ltd.
Jun 1985 Vice President and Representative Director, Watanabe Pipe Co., Ltd.
Nov 1991 President and Representative Director, Watanabe Pipe Co., Ltd.
(currently)
Jun 2016 Director, SECOM Co., Ltd. (currently)
<Important Position of Other Organizations Concurrently Assumed>
President and Representative Director, Watanabe Pipe Co., Ltd.

■ Reasons for Election

Mr. Hajime Watanabe has engaged in management of Watanabe Pipe Co., Ltd. for many years. He holds rich experience accumulated through his career on corporate management and a high level of knowledge. In the light of continuous enhancement of corporate value, we would like to ask shareholders to elect him as Outside Director.

(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. Based on the nomination policy that the Board of Directors established, the nomination of candidates for Directors are decided after discussing in the Board of Directors. The Board of Directors decided the candidates for Directors after the discussion process of the Nomination and Compensation Committee including Outside Directors.
4. Messrs. Takaharu Hirose, Hirobumi Kawano and Hajime Watanabe are candidates for Outside Directors. The designation of Messrs. Takaharu Hirose, Hirobumi Kawano and Hajime Watanabe as Independent Officers has been filed with Tokyo Stock Exchange, Inc.
5. On February 16, 2017 Watanabe Pipe Co., Ltd. of which Mr. Hajime Watanabe is Representative Director received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission in charge of violating the Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act) in connection with a construction work related to horticultural facility placed order by local public body and the like in the designated areas of Miyagi prefecture or Fukushima prefecture as construction sights.

[English Translation]

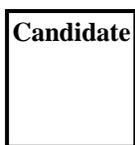
6. The number of years during which Mr. Takaharu Hirose is in the office of Outside Director of the Company will have been four (4) years at the close of this General Meeting of Shareholders.
7. The number of years during which Messrs. Hirobumi Kawano and Hajime Watanabe are in the office of Outside Director of the Company will have been for one (1) year at the close of this General Meeting of Shareholders.
8. 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 Messrs. Takaharu Hirose, Hirobumi Kawano and Hajime Watanabe. In case each of them is re-elected, it is scheduled that the liability limit agreement will continuously be made. Furthermore, the limited amount of compensation liability is the minimum liability limit provided for in Article 425, Paragraph 1 of the Companies Act.

Third Item of Business: Election of One (1) Audit & Supervisory Board Member

Mr. Kenichi Sekiya will resign the office of Audit & Supervisory Board Member at the close of this Ordinary General Meeting of Shareholders so that we would like to ask shareholders to elect one (1) Audit & Supervisory Board Member to supplement the vacant office. With respect to this item of business the Audit & Supervisory Board has given consent.

Furthermore, the term of office of Mr. Masao Yokomizo if elected will be until the close of the Ordinary General Meeting of Shareholders scheduled to be held in June 2019 pursuant to the provisions of the Articles of Incorporation.

The candidate for Audit & Supervisory Board Member is as follows:



Masao Yokomizo

(Date of birth: March 10, 1934)

Candidate for Outside Audit & Supervisory Board Member

New Candidate



Number of Shares of the Company Owned
0 shares

■ Brief History, Position and Important Position of Other Organizations Concurrently Assumed, if any

- Apr 1956 Joined Ministry of Labor (presently Ministry of Health, Labor and Welfare)
- Feb 1960 Joined Economic Planning Agency (presently Cabinet Office) Planning Bureau
- Jul 1984 Director-General, Research Bureau, Economic Planning Agency
- Jun 1985 Director-General, Quality-of-Life Policy Bureau, Economic Planning Agency
- Jun 1987 Director-General, Coordination Bureau, Economic Planning Agency
- Jun 1988 Deputy Director-General for Economic Planning, Economic Planning Agency
- Jun 1989 Retired Economic Planning Agency
- Jul 1989 Director, Nikko Research Center, Inc.
- Nov 1991 Research Councilor, Nippon Institute for Research Advancement
- Feb 1995 Chief Director, Nikko Research Center, Inc.
- Dec 2000 President, Economic Research Association
- Nov 2006 Vice President, The Japan Association of Business Cycle studies
- Nov 2009 Adviser, The Japan Association of Business Cycle studies (currently)

■ Reasons for Election

Mr. Masao Yokomizo was engaged for many years in important positions at Ministries such as the Economy Planning Agency (presently Cabinet Office). He holds affluent experience and a wide range of knowledge accumulated through his career. The Company expects he will supervise, and give effective advice to, overall management from his wide insight. We would like to ask shareholders to elect him as Outside Audit & Supervisory Board Member.

(Notes)

1. There is no particular interest between the Company and the said candidate.
2. Mr. Masao Yokomizo is a candidate for Outside Audit & Supervisory Board Member. The Company is scheduled to file him with Tokyo Stock Exchange, Inc. as Independent Officer.
3. Reasons for judgment that he will be able to discharge duties as Outside Audit & Supervisory Board Member
Mr. Masao Yokomizo has not participated directly in management of companies but he has career at the former Ministry of Labor and Economic Planning Agency, etc. and holds insight and knowledge on economy and corporate practice. He will duly discharge duties as Outside Audit & Supervisory Board Member in the judgment of the Company.
4. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company is scheduled to enter into a liability limit agreement limiting a compensation liability provided for in Article 423, Paragraph 1 of the Companies Act with Mr. Masao Yokomizo in case of him elected as Audit & Supervisory Board Member.
Furthermore, the limited amount of compensation liability is the minimum liability limit provided for in Article 425, Paragraph 1 of the Companies Act.

Forth Item of Business: Determination of Remuneration payable to Directors enabling restricted stock to be granted to Directors

The amount of remuneration payable to Directors as a group was approved as YEN 600 million or less per annum (excluding salary portion payable to Directors serving as employees at the same time) at the 44th Ordinary General Meeting of Shareholders held on June 29, 2005.

In this occasion as a link to reviewing the Officers' Remuneration System with a view to giving Directors of the Company (other than Outside Directors; hereinafter the "Subject Directors") an incentive to promote continuous enhancement of the corporate value of the Company and further promoting the share of value between Directors and shareholders, the Company would like to provide the Subject Directors remuneration to acquire restricted stock in addition to the aforesaid remuneration.

Under this item of business, remuneration provided to the Subject Directors for granting restricted stock is monetary claim (hereinafter the "Monetary Remuneration Claim") and the total amount should be a reasonable amount in the light of the above purpose which is YEN 100 million or less per annum. When this remuneration is paid and how much remuneration is paid to each of the Subject Directors shall be decided at the Board of Directors. The provision of such remuneration to each of the Subject Directors shall be subject to the relevant Subject Director's consent to the undermentioned contribution in kind and entering into the Allotment Agreement (defined below).

Furthermore, the aforesaid remuneration shall not include salary portion payable to Directors serving as employees at the same time. The number of Directors currently is ten (10), including three (3) Outside Directors but if the second item of business "Election of Eleven (11) Directors" is approved as originally proposed the number of Directors will be eleven (11) including three (3) Outside Directors.

Based on the resolution of the Board of Directors of the Company, the Subject Directors shall transfer to the Company the whole of the Monetary Remuneration Claim provided by this item of business as contribution in kind and thereby receive Company's shares of common stock issued or disposed by the Company as restricted stock. The total number of Company's shares of common stock issued or disposed by the Company shall be 20,000 or less per year; provided, however, that in the event that the Company consummates stock split of common stock of the Company, free distribution of shares of common stock, or consolidation of shares of common stock or any other event necessitating adjustment of the total number of Company's shares of common stock issued or disposed as restricted stock, such total number of Company's shares of common stock shall be adjusted to the reasonable extent. The dilution rate on the Company's shares of common stock by granting such restricted stock shall be less

than 0.01 percent per annum and therefore the Company recognizes that the effect such granting of restricted stock will have to the shareholders of the Company is minor.

The payment amount per share of the Company's shares of common stock issued or disposed as restricted stock shall be determined at the Board of Directors of the Company within the range not specially favorable to certain Subject Directors subscribing the shares on the basis of the closing price of the shares of common stock of the Company on the Tokyo Stock Exchange on the business day preceding the date of resolution of the Board of Directors pertaining to such issuance or disposition (or the closing price on the transaction date immediately prior thereto if no transaction is made on such business day). Further, in connection with issuance and disposition of such shares of common stock of the Company, restricted stock allotment agreement including the following content (the "Allotment Agreement") shall be entered into between the Company and each of the Subject Directors.

(1) Non-transferable term

The Subject Director shall not transfer, create mortgage on, or otherwise dispose of, shares of common stock of the Company allotted to the Subject Director (the "Allotted Stock") by this Allotment Agreement during such period as determined by the Board of Directors of the Company (the "Non-transferable Period") within the range of three (3) year to five (5) year period following the date of such issuance or disposition of the Allotted Stock (the "Restriction"). The Restriction shall be rescinded after Non-transferable Period has passed.

(2) Treatment in the event of resignation etc. before the maturity of Non-transferable Period

In the event that the Subject Director resigns or retires from office and ceases to be any of Director, Executive Officer, Audit & Supervisory Board Member and employee of the Company (the "Directors") before the maturity of the Non-transferable Period (including the resignation and retirement due to the death, hereinafter the "Retirements"), the Company shall acquire the Allotted Stock free of charge as a matter of course. Provided, however, that in such cases where such Retirements of the relevant Subject Director is due to the expiration of term of office, reaching retiring age, death or other due reason approved by the Board of Directors, notwithstanding any provisions of (1) above, the Restriction shall be rescinded as of the time of such Retirements with regard to certain number of Allotted Stock determined in accordance with the reasonable standard set out in advance by the Board of Directors of the Company among the Allotted Stock held by such Subject Director, and the Company shall acquire the rest of Allotted Stock held by such Subject Director free of charge as a matter of course.

(3) Treatment in case of reorganization and the like

Notwithstanding any provisions of (1) above, in the event that the General Meeting of Shareholders of the Company (or the Board of Directors of the Company in case of the reorganization and the like which is not subject to approval by resolution of the General Meeting of Shareholders of the Company under applicable laws) approves by resolution any merger agreement under which the Company is absorbed or any stock exchange agreement under which the Company becomes a wholly owned company or any item related to stock transfer plan or other reorganization and the like (limited to the case where the effective date of such reorganization and the like arrives before the Non-transferable Period expires) before the maturity of the Non-transferable Period, the Restriction shall be rescinded at the time immediately before the business day preceding the effective date of such reorganization and the like with respect to certain number of Allotted Stock determined in accordance with the reasonable standard set out in advance by the Board of Directors of the Company among the Allotted Stock held by Subject Directors as of the date of such approval, and the Company shall acquire the rest of Allotted Stock held by Subject Directors free of charge as a matter of course.

(4) Other Matters determined at the Board of Directors

In addition to the above, expression of intention and method of correspondence, method to amend the Allotment Agreement and other matters to be determined at the Board of Directors shall be stated in the Allotment Agreement.

- End -

[Attached Documents]

Business Report (Fiscal Year Ended March 31, 2017)

I. Outline of the Group's Business

1. The Current Business Development and Results of Operations

During the fiscal year ended March 31, 2017 (“the current fiscal year”), despite stagnations in private consumption being seen, the outlook for Japanese economy has been in moderate upward trend in corporate earnings and employment environment thanks to the effects of various economic and financial policies. On the other hand, continual attentions to the uncertainties in emerging economies including China, UK exiting the EU (BREXIT) and the trends in the U.S. economy and financial policies have been required.

In this environment, we have been continuously trying to satisfy the increasingly diversified and sophisticated needs of our customers for their safety, peace of mind, comfort and convenience, 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 the 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 September 2016, we launched “Secom 3D Security Planning” based on high-precision 3D images for security planning which demonstrated its effectiveness in security operations at the G7 Ise-Shima Summit. Also, in December 2016, we announced “Secom My Doctor Watch”, wearable wristband terminal for health management and emergency medical service, to be launched in 2017 early summer. “Secom My Doctor Watch” was developed capitalizing our broad range of service for providing security and peace of mind.

As a result, consolidated revenue for the current fiscal year increased by 5.3% to YEN 928.0 billion compared with the previous fiscal year. Consolidated operating profit increased by 1.9% to YEN 131.0 billion. Consolidated ordinary profit increased by 9.1% to YEN 147.0 billion, mainly due to the increase in net gains on private equity investment in the U.S. (YEN 14.4 billion for the current fiscal year and YEN 1.1 billion for the previous fiscal year) Consolidated net income attributable to owners of the parent increased by 9.3% to YEN 84.1 billion. Consolidated revenue, consolidated operating profit, consolidated ordinary profit

[English Translation]

and consolidated net income attributable to owners of the parent all reached a record-high.

(Millions of Yen)

	Revenue	Operating profit	Ordinary profit	Net income attributable to owners of the parent
Current fiscal year (FY2016)	928,098	131,050	147,033	84,170
Previous fiscal year (FY2015)	881,028	128,582	134,826	77,039

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. In addition, we provided supports for large-scale events ensuring safety and peace of mind for all concerned with strengthened offer of services and systems. For the security planning, we assisted to develop an optimum security plan capitalizing "Secom 3D Security Planning". And for the provision of security services, we contributed to the successful staging of the events utilizing "3D Security", a distinctive package of the latest security systems including "Secom Aerostat" to secure the scene and "Secom static guards" from the air and "temporary surveillance cameras", "wearable cameras" and "Secom Drone Detection System" on the ground.

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. 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. Also, we introduced "Secom Anshin App", which allows subscribers to set their security systems remotely from their smartphones. In addition, we began providing "Coco Secom" service, which combines location service utilizing GPS and mobile phone networks and response services by Secom security personnel, to smartphones for kids, which major telecommunications newly marketed in January 2017.

[English Translation]

Outside Japan, we promoted our “SECOM-style” security services, which has specialty in emergency response services, especially in economically developing areas, such as People’s Republic of China and Southeast Asia. We also enhanced the proposal to Japanese companies which expand their business to overseas. Furthermore, in order to strengthen the service foundation in UK, Secom plc acquired all of the outstanding shares of Scan Alarms Ltd., which became a new subsidiary.

As a result, mainly due to brisk sales of centralized systems, i.e., on-line security systems, for commercial and residential use, as well as security merchandise including access control systems and owing to the contribution of Asahi Security Co., Ltd., a newly consolidated subsidiary from December 2015, revenue increased by 8.4% to YEN 534.2 billion and operating profit increased by 1.3% to YEN 113.5 billion.

In the fire protection services segment, we provided a broad range of fire protection systems such as high-quality fire alarm systems and fire extinguishing systems along with customers’ needs to a wide variety of facilities such as office buildings, production facilities, tunnels, cultural properties, ships and residences. In the current fiscal year, two major fire protection companies, Nohmi Bosai Ltd. and Nittan Co., Ltd., promoted various fire protection systems based on each company’s business infrastructure and product development expertise. , Revenue decreased by 4.2% to YEN 126.2 billion and operating profit decreased by 5.2% to YEN 13.1 billion, mainly attributable to the contribution of large-scale projects in the previous fiscal year, despite of active marketing efforts.

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.

Despite revenue increased by 4.4% to YEN 66.8 billion, mainly due to firm increase in sales of pharmaceutical products and owing to the contribution of Takshasila Hospitals Operating Pvt. Ltd., a newly consolidated general hospital business subsidiary in India, operating profit decreased by 10.0% to YEN 4.6 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 4.4% to YEN 41.9 billion and operating profit increased by 16.0% to YEN 2.1 billion, mainly due to the firm increase in sales of MEDCOM,

unrestricted cancer treatment policy provided by Secom General Insurance Co., Ltd.

In the geographic information services segment, we collected geographic data from aerial photography, vehicle and/or ground surveying systems and satellite images, and provided the geospatial data services, by integrating, processing, and analyzing the geographic data, to 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 diversified and sophisticated needs for the development and maintenance of critical infrastructure and the disaster recovery in Japan and overseas, through the geospatial information technology.

Revenue decreased by 1.8% to YEN 51.6 billion, reflecting the decrease in revenue in international division. Operating profit increased by 47.4% to YEN 1.2 billion, mainly attributable to the improvement in the cost ratio and the decrease in selling, general and administrative expenses.

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. We commenced sales of the “Secom Premium Net Remote Browser” , a cloud-based service, which isolates customers’ in-house computer systems from the internet to protect them from increasingly sophisticated and cunning web-based viruses and cyber-attacks.

Revenue increased by 2.8% to YEN 49.8 billion, chiefly owing to the contribution of “SECOM *Anshin* My Number Service” launched in the previous fiscal year. Operating profit increased by 34.0% to YEN 6.9 billion, chiefly owing to the decrease 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 12.0% to YEN 57.3 billion and operating profit went up by 5.5% to YEN 5.2 billion, mainly due to the increase in revenue in the real estate development and sales business.

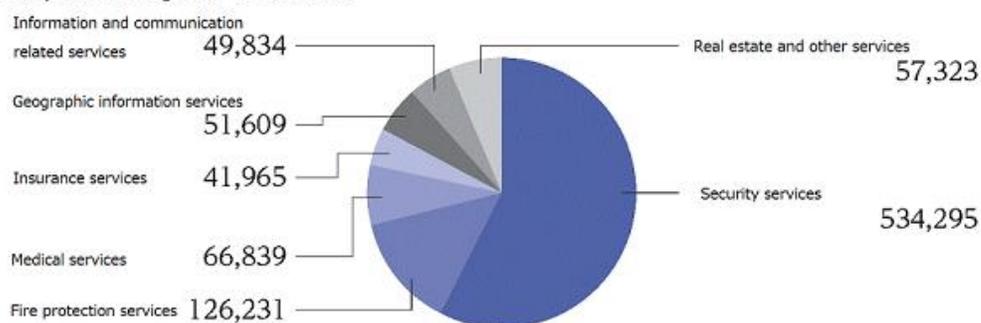
Results by Business Segment (56th Fiscal Year – current fiscal year)

(Millions of Yen)

Business segment	Revenue			Operating profit
	Customers	Inter-segment	Total	
Security services	534,295	11,714	546,010	113,507
Fire protection services	126,231	3,458	129,690	13,180
Medical services	66,839	182	67,021	4,687
Insurance services	41,965	3,093	45,059	2,144
Geographic information services	51,609	230	51,839	1,259
Information and communication related services	49,834	7,018	56,852	6,987
Real estate and other services	57,323	1,922	59,245	5,245
Total	928,098	27,621	955,720	147,012
Eliminations and corporate items	-	(27,621)	(27,621)	(15,961)
Consolidated revenue	928,098	-	928,098	131,050

With respect to the results by geographical segments, in Japan, revenue increased by 5.8% to YEN 882.2billion. Overseas revenue decreased by 2.4% to YEN 45.8 billion.

Revenue by business segment (Millions of yen)



[English Translation]

2. Issues the Group Has to Cope with

While working to realize its Social System Industry vision, operating in an environment characterized by drastic change and increasing uncertainty, as part of this process, the Group has formulated a vision for 2030, which targets the year 2030 to realize the "ANSHIN Platform" concept.

The "ANSHIN Platform" is a service platform anchored in the relationship of trust that SECOM has cultivated with society. Created in collaboration, sharing and exchanging various technologies and knowledge with partners who share SECOM's philosophy, this platform is designed to provide peace of mind to people in their everyday lives, as well as to society as a whole. Through this "ANSHIN Platform", we will provide refined and seamless services centered on peace of mind. For that purpose, we continue promoting "ALL SECOM" (Rallying Group strengths), further enhance cooperation between various businesses that the Group operates and improve the environment so that each SECOM employee can make the best use of the Group's comprehensive strength. In addition, we seek to establish a society with more safety, peace of mind, comfort and convenience through provision of comfortable and convenient services for daily lives with greater value as well as responding to latent customer needs by using cutting-edge technologies and analyzing Big Data.

In response to the increasing needs of customers overseas, SECOM will leverage its know-how cultivated in Japan, a front runner in addressing critical challenges with global relevance, to offer services on overseas markets that are customized to reflect local needs and sensibilities.

SECOM will continue striving to keep abreast of, or where possible to anticipate, social change, thereby ensuring its ability to provide enduring peace of mind. To this end, SECOM remains committed to evolving and improving. By realizing the "ANSHIN Platform" concept, SECOM will reinforce relationships with society, and by solving various social issues, SECOM will continue to grow together with society and strive for the improvement of sustainable corporate value.

Furthermore, based on the business strategies described above, we will deal with various issues related to ESG (E for Environment, S for Society and G for 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 56.0 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 35.8 billion.

Business segment	Amount (Millions of Yen)
Security services	35,848
Fire protection services	4,543
Medical services	3,522
Insurance services	2,220
Geographic information services	1,903
Information and communication related services	7,685
Real estate and other services	208
Subtotal	55,934
Eliminations and corporate items	124
Total	56,058

4. Fund Raising

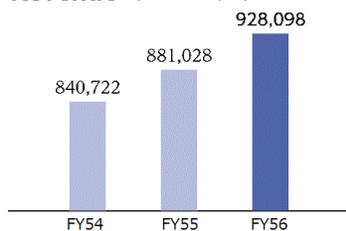
During the current fiscal year, no funds were raised by the Group in capital markets through the issuance of corporate bonds or new shares.

5. Trends in Earnings and Assets of the Group

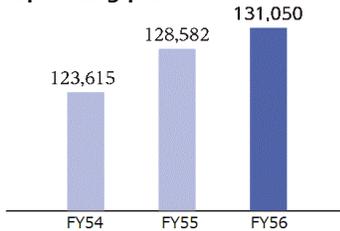
(Millions of Yen except for net income per share)

Fiscal years Category	53rd fiscal year (4/1/2013– 3/31/2014)	54th fiscal year (4/1/2014– 3/31/2015)	55th fiscal year (4/1/2015– 3/31/2016)	56th fiscal year (current fiscal year) (4/1/2016– 3/31/2017)
Revenue	822,228	840,722	881,028	928,098
Operating profit	120,018	123,615	128,582	131,050
Ordinary profit	126,677	136,688	134,826	147,033
Net income attributable to owners of the parent	69,876	75,392	77,039	84,170
Net income per share (Yen)	320.14	345.42	352.97	385.64
Return on Equity	10.0%	9.9%	9.4%	9.8%
Total assets	1,328,226	1,410,715	1,568,052	1,650,176
Net assets	830,369	907,341	943,144	1,013,253

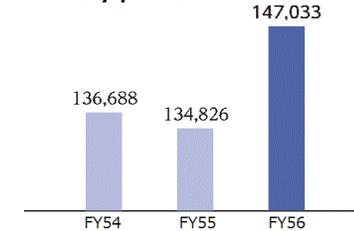
Revenue (Millions of yen)



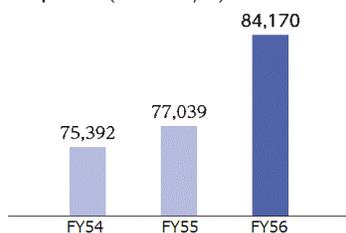
Operating profit (Millions of yen)



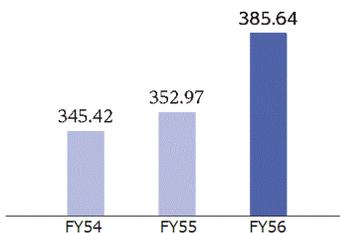
Ordinary profit (Millions of yen)



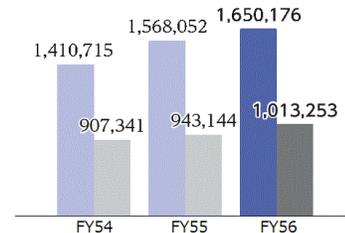
Net income attributable to owners of the parent (Millions of yen)



Net income per share (Yen)



Total assets/Net assets (Millions of yen)

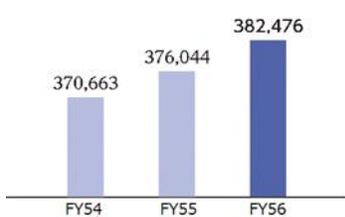


6. Trends in Earnings and Assets of the Company

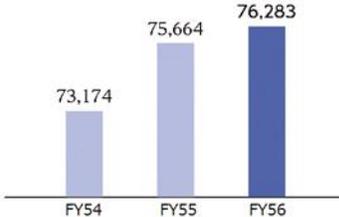
(Millions of Yen except for net income per share)

Fiscal years \ Category	53rd fiscal year (4/1/2013– 3/31/2014)	54th fiscal year (4/1/2014– 3/31/2015)	55th fiscal year (4/1/2015– 3/31/2016)	56th fiscal year (current fiscal year) (4/1/2016– 3/31/2017)
Revenue	364,280	370,663	376,044	382,476
Operating profit	72,909	73,174	75,664	76,283
Ordinary profit	78,884	81,572	86,612	86,543
Net income	51,497	57,492	58,442	63,260
Net income per share (Yen)	235.94	263.41	267.76	289.84
Return on Equity	8.4%	9.0%	8.8%	9.1%
Total assets	772,910	795,778	826,124	850,851
Net assets	627,242	650,132	678,355	713,263

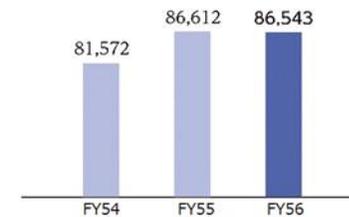
Revenue (Millions of yen)



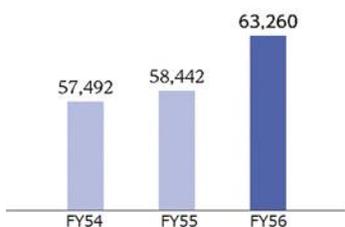
Operating profit (Millions of yen)



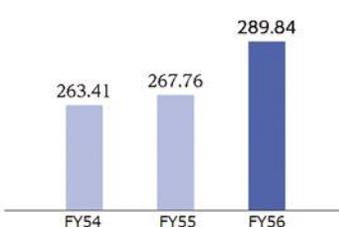
Ordinary profit (Millions of yen)



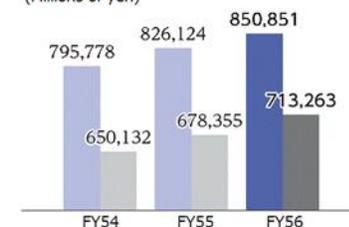
Net income (Millions of yen)



Net income per share (Yen)



Total assets/Net assets
(Millions of yen)



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 (51.15)	Security and safety services
Asahi Security Co., Ltd.	(Millions of Yen) 100	(%) 100.00 (100.00)	Cash collection and delivery 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) 100	(%) 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 (72.68)	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, 176 consolidated subsidiaries and 21 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 (Shinjuku-ku, Tokyo), Metropolitan Static Guard Service (Shibuya-ku, Tokyo), Metropolitan Armored Car Service (Shibuya-ku, Tokyo), 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), Asahi Security Co., Ltd. (Minato-ku, Tokyo), 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
43,071	384

(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
15,403	85	42.4	15.9

(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.	14,195
Mizuho Bank, Ltd.	12,419
Sumitomo Mitsui Banking Corp.	6,814
Mitsubishi UFJ Trust and Banking Corp.	2,600

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 15,028,470 shares of treasury stock held by the Company)	
3. Number of Shareholders at the End of the Fiscal Year:	25,200
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)	24,974	11.44
STATE STREET BANK AND TRUST COMPANY	14,443	6.61
Japan Trustee Services Bank, Ltd. (Trust Account)	14,425	6.60
STATE STREET BANK AND TRUST COMPANY 505223	4,942	2.26
THE BANK OF NEW YORK MELLON SA/NV 10	4,818	2.20
Makoto Iida	4,240	1.94
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052088)	4,148	1.90
Secom Science and Technology Foundation	4,025	1.84
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,992	1.82
STATE STREET BANK WEST CLIENT – TREATY 505234	3,678	1.68

(Note)

Although the Company holds treasury stock of 15,028,470 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, 2017)

Position	Name	Field of responsibility and important position of other organization concurrently assumed
Director	Makoto Iida	Supreme Advisor
President and Representative Director	Yasuo Nakayama	Executive Officer
Executive Director	Junzo Nakayama	Executive Officer (general manager of finance division)
Executive Director	Yasuyuki Yoshida	Executive Officer (in charge of planning administration, strategic planning office, group companies supervisor and risk control)
Director	Tatsuya Izumida	Executive Officer (general manager of human resources division and in charge of information systems)
Director	Ichiro Ozeki	Executive Officer (general manager of corporate sales division and in charge of insurance business)
Director	Tatsushi Kurihara	Executive Officer (general manager of general affairs division)
Director	Takaharu Hirose	Chairman and Representative Director of Monitas, Inc.
Director	Hirobumi Kawano	
Director	Hajime Watanabe	President and Representative Director of Watanabe Pipe Co., Ltd
Audit & Supervisory Board Member	Takayuki Ito	Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member	Ryohei Komatsu	Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member	Hideki Kato	
Audit & Supervisory Board Member	Kenichi Sekiya	Director Emeritus of DISCO Corporation
Audit & Supervisory Board Member	Makoto Yasuda	President and Representative Director Yasuda Makoto & Co., Ltd., Outside Director of Sanwa Holdings Corp.

(Notes)

1. Messrs. Takaharu Hirose, Hirobumi Kawano and Hajime Watanabe are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
2. Messrs. Hideki Kato, Kenichi Sekiya and Makoto Yasuda are Outside Audit & Supervisory Board Members as stipulated in Article 2, Item 16 of the Companies Act.
3. The Audit & Supervisory Board Member, Mr. Takayuki Ito has a long-term experience by working at a financial institution and has considerable knowledge of finance and accounting matters.
4. There are no particular interests between the Company and other corporations employing Outside Director, Messrs. Takaharu Hirose and Hajime Watanabe.
5. There are no particular interests between the Company and other corporations employing Outside Audit & Supervisory Board Members, Messrs. Kenichi Sekiya and Makoto Yasuda.
6. The notice of Outside Directors, Messrs. Takaharu Hirose, Hirobumi Kawano and Hajime Watanabe being independent officers was submitted to Tokyo Stock Exchange, Inc.
7. The notice of Outside Audit & Supervisory Board Members, Messrs. Hideki Kato, Kenichi Sekiya and Makoto Yasuda being independent officers was submitted to Tokyo Stock Exchange, Inc.
8. Changes in post of Representative Directors during the current fiscal year
 - 1) Executive Director Mr. Yasuo Nakayama was assumed the office of President and Representative Director as of May 11, 2016.
 - 2) Chairman and Representative Director Mr. Shuji Maeda changed his role to Director as of May 11, 2016, and after that he resigned from Director as of the same day.
 - 3) President and Representative Director Mr. Hiroshi Ito changed his role to Director as of May 11, 2016, and after that he resigned from Director as of the same day.
9. Changes in posts of Directors during the current fiscal year
 - 1) Directors Kazuaki Anzai, Kenichi Furukawa, Tatsuro Fuse and Takashi Sawada resigned at the close of the 55th Ordinary General Meeting of Shareholders held on June 24, 2016.
 - 2) Messrs. Tatsuya Izumida, Ichiro Ozeki, Tatsushi Kurihara, Hirobumi Kawano and Hajime Watanabe were elected as Director at 55th Ordinary General Meeting of Shareholders held on June 24, 2016 and assumed the office.
10. Change in position of Director during the current fiscal year
Director Mr. Yasuyuki Yoshida was appointed to Executive Director as of Jun. 24, 2016.

〈Reference〉

Executive Officers who are not Directors are as follows:

(As of May 1, 2017)

Title	Name
Managing Executive Officer	Kenichi Furukawa, Tatsuro Fuse, Masahiro Takeda, Teruhisa Yoshimura, Hideo Morishita, Toshiaki Mizuno, Shokichi Ishimura
Executive Officer	Yoichi Sugimoto, Sumiyuki Fukumitsu, Kensuke Shindo, Yasufumi Kuwahara, Noriyuki Fukuoka, Takeshi Akagi, Sadahiro Sato, Osamu Ueda, Yoshinori Yamanaka, Seiya Nagao, Noriyuki Uematsu, Osamu Nagai, Atsushi Komatsu

(Notes)

1. Messrs. Kenichi Furukawa and Tatsuro Fuse were appointed to Managing Executive Officer as of June 24, 2016.
2. Managing Executive Officer Mr. Tsuneo Komatsuzaki was resigned as of March 31, 2017.

[English Translation]

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.

3. Remuneration of Directors and Audit & Supervisory Board Members

	Number of Recipients	Combined total of remuneration etc. (Millions of Yen)
Directors (of which Outside Directors)	16 (4)	310 (27)
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	5 (3)	70 (25)
Total	21	380

(Note) Combined total of remuneration etc. for Directors in the above table includes YEN 53 million bonuses to directors for the current fiscal year.

4. 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 consultation of the Nomination and Compensation Committee including Outside Directors, which is authorized by the Board of Directors, 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.

5. 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 12)	-	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience and insight gained through the foundation and the management of many enterprises and organizations. He also asked questions and stated opinions in order to clarify unclear issues.
Outside Director	Hirobumi Kawano	8 (out of 9)	-	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience and insight gained through the important positions in government. 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	Hajime Watanabe	9 (out of 9)	-	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience and insight gained through corporate management for many years as a corporate executive. 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	Hideki Kato	12 (out of 12)	12 (out of 12)	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience in the execution of national policies and insight gained through many accomplishments at a policy think tank. He also asked questions and stated opinions in order to clarify unclear issues.
Outside Audit & Supervisory Board Member	Kenichi Sekiya	11 (out of 12)	11 (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 management and as a representative and chairman of global organizations. He also asked questions and stated opinions in order to clarify unclear issues. He also makes efforts to understand the contents of the meetings of the Board of Directors and Audit & Supervisory Board which he had missed by receiving reports on resolutions and such from an operating chief of the Board and full-time Audit & Supervisory Board Members, respectively.
Outside Audit & Supervisory Board Member	Makoto Yasuda	12 (out of 12)	12 (out of 12)	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience and insight gained through serving as a management of global enterprise. He also asked questions and stated opinions in order to clarify unclear issues.

(Note) Messrs. Hirobumi Kawano and Hajime Watanabe were elected as Director at the 55th ordinary general meeting of shareholders held on June 24, 2016, and assumed the office. Therefore, the table shows the attendance figures of the meetings of the board of directors and audit & supervisory board held on and after June 24, 2016.

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 225 million
(2) Total cash and other remuneration to be paid by the Company and subsidiaries to the Accounting Auditor	YEN 682 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 RSM US LLP and Secom Plc by KPMG LLP.

3. Consent for the Amount of Remunerations for Accounting Auditor

Audit & Supervisory Board consents under Article 399, Paragraph 1 of the Companies Act for the amount of remunerations for Accounting Auditors upon verifying the basis for calculation of remunerations of Accounting Auditors, including contents of audit plan prepared by the Accounting Auditors, the status of implementation of accounting audits, etc.

4. 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.

5. 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 will make decision on appointment of a temporary Accounting Auditor or a substitute

[English Translation]

Accounting Auditor and will submit a proposal of the appointment of a substitute Accounting Auditor to the general meeting of shareholders convened for the first time after such decision. The Audit & Supervisory Board Member selected by the Audit & Supervisory Board will also report the reasons for the dismissal at the general meeting of shareholders.

Aside from the above, when there exists any situation from the view point of execution of duties and audit system, etc. where it is acknowledged that the Accounting Auditor is not fit to act as Accounting Auditor, the Audit & Supervisory Board will make decision on non-reappointment of the subject Accounting Auditor and appointment of a substitute Accounting Auditor, with a majority approval, and will submit a proposal to the general meeting of shareholders.

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 Article 362, paragraph 4, item (6) 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 executive 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.
 - (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 rules 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

[English Translation]

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 rules of the Company, which will be amended upon reviewing the operating conditions if necessary.

(4) System 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 Department) 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 Department, 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) Rules 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 "Group Head Office Helpline" will be reported to the Audit & Supervisory Board Members from the Group Governance Department.
- (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.

2. Outline of Status of Operation of Internal Control System

The Company, pursuant to the basic policy described above, has established the Internal Control System, and is continuously operating this System in a proper manner. An outline of the status of operation of the System during the current fiscal year is as follows.

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

The Company promotes to instill awareness of the importance of compliance with the "SECOM *Group Code of Employee Conduct*", which sets behavioral standards for the execution of duties, including compliance with laws, regulations, and the Articles of Incorporation in day-to-day business operations. In addition, all training curriculum contains training related to the philosophy of SECOM, and the Company is also making efforts to instill and entrench the philosophy of SECOM through e-learning system and in-house newsletter. The Company takes appropriate actions to respond to any revisions of laws and regulations by requiring its executive officers in charge of each area to have thorough knowledge of laws and regulations related to their areas and to obtain information concerning revisions of relevant laws and regulations on a regular basis. The Audit and Compliance Department, as a leading organization, conducts operational audits based on the audit plan, reports the audit results to the President and Representative Director and the Audit & Supervisory Board Members on a monthly basis, and instructs to take correctional measures necessary to solve any issues identified. Furthermore, any internal reports made through “Hot Helpline” are dealt with in a proper

manner in collaboration with relevant departments. Any important organizational culture-related issues (including compliance-related matters) are deliberated and dealt with at a meeting of the Organizational Culture Committee when necessary. The effectiveness of internal control related to financial reporting is properly evaluated based on the basic plans and policies.

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

Minutes of the meetings of the Board of Directors and decision-making documents are recorded in a paper form or electromagnetic media, and stored and managed in a proper manner.

- (3) "System regarding control of risk of loss and other system"

Each executive officer in charge analyzes and assesses business risks and fraud risks in the operational areas for which he/she is responsible, and reports the results to the President and Representative Director and Audit & Supervisory Board Members once a year, and further, reviews internal rules and manuals that have been established as appropriate and makes amendments as needed.

- (4) "System by which efficient execution of duties of Directors shall be ensured"

The Board of Directors of the Company consists of 10 Directors including 3 outside Directors. As a general rule, a meeting of the Board of Directors is held once a month with the attendance of Directors as well as 5 Audit & Supervisory Board Members including 3 outside Audit & Supervisory Board Members. At a meeting of the Board of Directors, important management matters are deliberated and the status of execution of duties by Directors is reported, based on the business vision of the Company, and the Board of Directors strives for accurate and prompt decision-making. 27 Executive Officers including 6 Directors are making efforts to make decisions and to execute their duties in a more expeditious manner.

(The above officer structure is as of March 31, 2017.)

- (5) "System under which the group of enterprises consisting of the Company and its subsidiaries is ensured to properly execute its business"

Directors of the Company and its subsidiaries are promoting proper operation based on the "Constitution of SECOM's Business and Operation" as their basic philosophy. The President and Representative Director of the Company convened a meeting of the "SECOM Group Management Committee" quarterly to share the Group information and operating philosophy and to ensure the appropriate operations of each company. To enhance subsidiaries' corporate governance, Audit & Supervisory Board visited and interviewed subsidiaries (total of 53 times), and conducted meetings with Outside Directors for Reports on Outline of Business Performance presented by responsible persons from subsidiaries (5 times). Furthermore, to enhance collaboration with internal and external audit departments including accounting auditors in the Group companies, the

previous "liaison meeting with Group Audit & Supervisory Board Members" was expanded and the "SECOM Group Audit & Supervisory Board Members and Internal Audit Departments Joint Liaison Meeting" was held (once). Internal audit departments inspect and provide guidance to subsidiaries as needed, and take appropriate steps in collaboration with relevant sections and subsidiaries in response to any internal report made through the "Group Head Office Helpline." Through decision-making on important matters upon prior consultation and reporting of important matters by subsidiaries in accordance with the "Basic Rules for SECOM Group Corporate Management," the Company and its subsidiaries strive to ensure that subsidiaries' operations are properly carried out.

- (6) "Matters related to employees to assist duties of Audit & Supervisory Board Members when Audit & Supervisory Board Members request to do so"

The Company has established the Office of Audit & Supervisory Board manned by at least two designated employees at all times, who assists Audit & Supervisory Board Members in carrying out audits following the instructions of Audit & Supervisory Board Members.

- (7) "Matters related to the independence of the employees in item (6) above from Directors and ensuring the effectiveness of the instructions of the Audit & Supervisory Board Members"

The assistants for the Audit & Supervisory Board Members carry out their duties following the instructions of the Audit & Supervisory Board Members.

- (8) "System under which any report is made to Audit & Supervisory Board Members"

Audit & Supervisory Board Members receive from the internal audit departments, in addition to the matters to be reported by Directors to Audit & Supervisory Board Members pursuant to the basic policies of internal control system, any matter internally reported through the whistle-blowing system, namely, "Hot Helpline" and "Group Head Office Helpline," at each time it occurs.

- (9) "System which ensures that the persons who made the reports under item (8) above will not be treated disadvantageously on the grounds of such reports"

Any internal report is handled as confidential pursuant to the "Basic Policy on the SECOM Group for Compliance" and a system under which a person who made a report is not treated disadvantageously has been established. This has been complied with during the current fiscal year.

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

Budget for expenses that will arise in relation to the execution of duties by

Audit & Supervisory Board Members are determined by resolution of the Audit & Supervisory Board and reported to the Board of Directors. These expenses are paid by the Company.

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

Audit & Supervisory Board Members held meetings twelve times with the President and Representative Director and eight times with Accounting Auditors to exchange opinions. In addition, Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings to exchange opinions, and conduct interviews with Directors and employees of the Company and its subsidiaries on a regular basis.

3. Result of Evaluation of the Board of Directors

The Company has conducted the evaluation of the Board of Directors through the questionnaires conducted at the Board of Directors and Audit & Supervisory Board Members and the interview with the respective Directors and Audit & Supervisory Board Members. As a result, it was confirmed that the diversity and the appropriateness of the size of the Board of Directors are secured, and the Outside Directors are actively making a comment and thus the business execution and the oversight of the management are well-balanced.

Consolidated Balance Sheet

(As of March 31, 2017)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets:	761,804	Current liabilities:	353,933
Cash on hand and in banks	302,364	Notes and accounts payable, trade	44,635
Cash deposits for armored car services	130,619	Bank loans	44,969
Notes and accounts receivable, trade	119,801	Current portion of straight bonds	1,460
Due from subscribers	33,090	Lease obligations	4,752
Short-term investments	29,387	Payables – other	37,469
Lease receivables and investment in leased assets	43,974	Accrued income taxes	27,557
Inventories	34,194	Accrued consumption taxes	5,765
Real estate inventories	27,507	Accrued expenses	5,315
Deferred income taxes	14,003	Deposits received for armored car services	107,878
Short-term loans receivable	4,942	Deferred revenue	30,552
Other	23,684	Accrued bonuses	15,447
Allowance for doubtful accounts	(1,766)	Provision for losses on construction contracts	2,532
		Other	25,596
Fixed assets:	888,367	Long-term liabilities:	282,989
Tangible assets:	376,536	Straight bonds	7,003
Buildings and improvements, net	150,254	Long-term loans	14,123
Security equipment and control stations, net	69,569	Lease obligations	11,777
Land	116,825	Guarantee deposits received	33,907
Other, net	39,886	Deferred income taxes	21,943
Intangible assets:	112,131	Accrued retirement benefits for directors and audit & supervisory board members	1,306
Software	18,076	Net defined benefit liability	22,428
Goodwill	65,759	Investment deposits by policyholders, unearned premiums and other insurance liabilities	166,155
Other	28,296	Other	4,342
Investments and others:	399,698	Total liabilities	636,922
Investment securities	280,974	<u>NET ASSETS</u>	
Long-term loans receivable	38,403	Shareholders' equity:	870,437
Long-term prepaid expenses	24,960	Common stock	66,377
Net defined benefit asset	35,282	Capital surplus	80,297
Deferred income taxes	9,592	Retained earnings	797,493
Other	26,475	Common stock in treasury, at cost	(73,731)
Allowance for doubtful accounts	(15,990)	Accumulated other comprehensive income:	21,563
Deferred assets:	4	Unrealized gains on securities	25,125
Other	4	Deferred losses on hedges	(30)
		Foreign currency translation adjustments	(7,954)
		Remeasurements of defined benefit plans, net of taxes	4,423
		Noncontrolling interests:	121,253
		Total net assets	1,013,253
TOTAL ASSETS	1,650,176	TOTAL LIABILITIES AND NET ASSETS	1,650,176

[English Translation]

Consolidated Statement of Income
(Fiscal Year from April 1, 2016 to March 31, 2017)

(Millions of Yen)

ITEM	AMOUNT	
Revenue		928,098
Costs of revenue	621,412	
Gross profit		306,686
Selling, general and administrative expenses	175,636	
Operating profit		131,050
Non-operating income:		
Interest income	863	
Dividends income	683	
Gain on sales of investment securities	1,170	
Net gains from investment in affiliated companies accounted for under the equity method	3,734	
Gain on private equity investments	14,470	
Other	1,448	22,371
Non-operating expenses:		
Interest expenses	974	
Loss on sales of investment securities	72	
Loss on sales and disposal of fixed assets	2,107	
Write-off of long-term prepaid expenses	620	
Foreign exchange loss, net	453	
Provision of allowance for doubtful accounts	1,027	
Other	1,132	6,388
Ordinary profit		147,033
Extraordinary profit:		
Gain on sales of fixed assets	312	
Gain on sales of investment securities	136	
Other	67	516
Extraordinary losses:		
Impairment losses on fixed assets	2,747	
Allowance for price fluctuation	1,086	
Loss on revaluation of investment securities	37	
Other	1,825	5,697
Income before income taxes		141,852
Income taxes- current	43,326	
Income taxes - deferred	2,369	45,695
Net income		96,156
Net income attributable to noncontrolling interests		11,986
Net income attributable to owners of the parent		84,170

Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury, at cost	Total shareholders' equity
Balance at the beginning of the fiscal year	66,377	80,326	743,353	(73,717)	816,340
Accumulated effect of change in accounting policies			526		526
Balance at the beginning of the fiscal year after changes in accounting policies	66,377	80,326	743,879	(73,717)	816,866
Changes in the fiscal year:					
Cash dividends			(30,556)		(30,556)
Net income attributable to owners of the parent			84,170		84,170
Purchase of treasury stock				(13)	(13)
Disposal of treasury stock		0		0	0
Changes in share of parent arising from transactions with noncontrolling interests		(29)			(29)
Net changes of items other than shareholders' equity					
Total changes in the fiscal year	-	(29)	53,613	(13)	53,570
Balance at the end of the fiscal year	66,377	80,297	797,493	(73,731)	870,437

(Millions of Yen)

	Accumulated other comprehensive income					Noncontrolling interests in subsidiaries	Total net assets
	Unrealized gains on securities	Deferred losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	19,964	(40)	(2,196)	(783)	16,944	109,859	943,144
Accumulated effect of change in accounting policies						111	637
Balance at the beginning of the fiscal year after changes in accounting policies	19,964	(40)	(2,196)	(783)	16,944	109,971	943,782
Changes in the fiscal year:							
Cash dividends							(30,556)
Net income attributable to owners of the parent							84,170
Purchase of treasury stock							(13)
Disposal of treasury stock							0
Changes in share of parent arising from transactions with noncontrolling interests							(29)
Net changes of items other than shareholders' equity	5,161	9	(5,758)	5,206	4,618	11,281	15,900
Total changes in the fiscal year	5,161	9	(5,758)	5,206	4,618	11,281	69,471
Balance at the end of the fiscal year	25,125	(30)	(7,954)	4,423	21,563	121,253	1,013,253

Non-Consolidated Balance Sheet

(As of March 31, 2017)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets:	198,394	Current liabilities:	109,053
Cash on hand and in banks	87,387	Accounts payable	3,604
Cash deposits for armored car services	37,869	Bank loans	22,703
Notes receivable	621	Lease obligations	215
Due from subscribers	16,480	Payables – other	14,476
Accounts receivable, trade	10,650	Accrued income taxes	14,345
Receivables – other	3,088	Accrued consumption taxes	2,883
Merchandise	5,312	Accrued expenses	697
Supplies	1,722	Deposits received for armored car services	15,187
Prepaid expenses	2,323	Deferred revenue	20,629
Deferred income taxes	3,710	Payables – construction	4,018
Short-term loans receivable	27,539	Accrued bonuses	6,278
Other	1,804	Other	4,014
Allowance for doubtful accounts	(117)		
Fixed assets:	652,456	Long-term liabilities:	28,533
Tangible assets:	110,585	Lease obligations	2,477
Buildings and improvements	16,282	Guarantee deposits received	16,804
Automobiles	709	Deferred income taxes	6,642
Security equipment and control stations	65,997	Accrued pension and severance costs	2,506
Machinery and equipment	179	Other	103
Tools, furniture and fixtures	3,173		
Land	21,978	Total liabilities	137,587
Construction in progress	2,195		
Other	69	<u>NET ASSETS</u>	
Intangible assets:	6,526	Shareholders' equity:	706,629
Software	6,125	Common stock	66,377
Other	400	Capital surplus:	83,054
Investments and others:	535,344	Additional paid-in capital	83,054
Investment securities	23,083	Other capital surplus	0
Investments in subsidiaries and affiliates	326,092	Retained earnings:	630,927
Long-term loans receivable	134,796	Legal reserve	9,028
Lease deposits	7,559	Other retained earnings	621,899
Long-term prepaid expenses	20,847	Reserve for system developments	800
Prepaid pension and severance costs	21,643	General reserve	2,212
Insurance funds	4,294	Accumulated earnings carried forward	618,887
Other	2,560	Common stock in treasury, at cost	(73,731)
Allowance for doubtful accounts	(5,532)	Valuation, translation adjustments and others:	6,634
		Unrealized gains on securities	6,634
		Total net assets	713,263
TOTAL ASSETS	850,851	TOTAL LIABILITIES AND NET ASSETS	850,851

[English Translation]

Non-Consolidated Statement of Income
(Fiscal Year from April 1, 2016 to March 31, 2017)

(Millions of Yen)

ITEM	AMOUNT	
Revenue		382,476
Costs of revenue	227,204	
Gross profit		155,271
Selling, general and administrative expenses	78,988	
Operating profit		76,283
Non-operating income:		
Interest income	1,632	
Dividends income	11,290	
Other	466	13,389
Non-operating expenses:		
Interest expenses	208	
Loss on sales and disposal of fixed assets	1,853	
Write-off of long-term prepaid expenses	509	
Other	559	3,130
Ordinary profit		86,543
Extraordinary profit:		
Gain on sales of investment securities in subsidiaries and affiliates	452	
Gain on sales of investment securities	106	
Gain on sales of tangible assets	47	
Other	45	651
Extraordinary losses:		
Loss on valuation of investments in capital of subsidiaries and affiliates	93	
Other	7	100
Income before income taxes		87,094
Income taxes - current	23,843	
Income taxes - deferred	(9)	23,833
Net income		63,260

Non-Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2016 to March 31, 2017)

(Millions of Yen)

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

(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		
Balance at the beginning of the fiscal year	9,028	800	2,212	586,082	598,122
Accumulated effect of change in accounting policies				101	101
Balance at the beginning of the fiscal year after changes in accounting policies	9,028	800	2,212	586,183	598,223
Changes in the fiscal year:					
Cash dividends				(30,556)	(30,556)
Net income				63,260	63,260
Purchase of treasury stock					
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Total changes in the fiscal year	-	-	-	32,704	32,704
Balance at the end of the fiscal year	9,028	800	2,212	618,887	630,927

(Millions of Yen)

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Common stock in treasury, at cost	Total shareholders' equity	Unrealized gains on securities	Total valuation, translation adjustments and others	
Balance at the beginning of the fiscal year	(73,717)	673,836	4,518	4,518	678,355
Accumulated effect of change in accounting policies		101			101
Balance at the beginning of the fiscal year after changes in accounting policies	(73,717)	673,938	4,518	4,518	678,457
Changes in the fiscal year:					
Cash dividends		(30,556)			(30,556)
Net income		63,260			63,260
Purchase of treasury stock	(13)	(13)			(13)
Disposal of treasury stock	0	0			0
Net changes of items other than shareholders' equity			2,115	2,115	2,115
Total changes in the fiscal year	(13)	32,690	2,115	2,115	34,806
Balance at the end of the fiscal year	(73,731)	706,629	6,634	6,634	713,263

[English Translation]

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 22, 2017

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, 2017 and for the year from April 1, 2016 to March 31, 2017 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

[English Translation]

amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 22, 2017

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, 2017 and for the 56th business year from April 1, 2016 to March 31, 2017 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.

[English Translation]

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also 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 22, 2017

Mr. Yasuo Nakayama
President and Representative Director
SECOM Co., Ltd.

Audit & Supervisory Board of
SECOM Co., Ltd.

Takayuki Ito (Seal)
Audit & Supervisory Board
Member (Full-time)

Ryohei Komatsu (Seal)
Audit & Supervisory Board
Member (Full-time)

Hideki Kato (Seal)
Outside Audit & Supervisory
Board Member

Kenichi Sekiya (Seal)
Outside Audit & Supervisory
Board Member

Makoto Yasuda (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 56th business term from April 1, 2016 through March 31, 2017 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,

[English Translation]

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 system under which the execution of duties by Directors is ensured to comply with laws and regulations and the Articles of Incorporation and to ensure the system under which the group of enterprises consisting of the Company and its subsidiaries is ensured to properly execute its business, both of which are on the Business Report, 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 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