



Notice of Convocation

The 57th Ordinary General Meeting of Shareholders

The following is an English translation of the Notice of Convocation of the 57th Ordinary General Meeting of Shareholders of SECOM CO., LTD. to be held on June 26, 2018, 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.

[English Translation]

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

Stock Exchange Code: 9735

June 4, 2018

Notice of Convocation of The 57th Ordinary General Meeting of Shareholders

Dear Shareholders:

You are cordially invited to attend the 57th 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 25, 2018 (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 (<https://www.evotetr.mufg.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 26, 2018 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 57th Fiscal Year (from April 1, 2017 to March 31, 2018) 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 57th Fiscal Year (April 1, 2017 to March 31, 2018).

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

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.

[English Translation]

(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 80 per share. A total amount of dividend per share, together with the interim dividend of YEN 75 per share, will be YEN 155, an increase of YEN 10 per share from the previous fiscal year in which dividend was YEN 145 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 80 per share of common stock of the Company
The total amount: YEN 17,460,789,440
- (3) Effective date for distribution of surplus:
June 27, 2018

[English Translation]

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

The term of office of all of the eleven (11) Directors will expire at the close of this Meeting. In connection therewith, we would like to ask shareholders to elect eleven (11) Directors.

The candidates are as follows:

No.	Name	Current Position at the Company
1	Re-election Makoto Iida	Supreme Advisor and Director
2	Re-election Yasuo Nakayama	President and Representative Director
3	Re-election Yasuyuki Yoshida	Senior Executive Director
4	Re-election Junzo Nakayama	Executive Director
5	Re-election Ichiro Ozeki	Executive Director
6	Re-election Tatsuro Fuse	Executive Director
7	Re-election Tatsuya Izumida	Director
8	Re-election Tatsushi Kurihara	Director
9	Re-election Takaharu Hirose	Outside Director Independent Officer Outside Director
10	Re-election Hirobumi Kawano	Outside Director Independent Officer Outside Director
11	Re-election Hajime Watanabe	Outside Director Independent Officer Outside Director

[English Translation]

Candidate
Number
1

Makoto Iida

(Date of birth: April 1, 1933)

Re-election



Number of Shares
of the Company
Owned
4,240,929
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)

Re-election



Number of Shares
of the Company
Owned
4,376 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
May 2007 Advisor, SECOM Co., Ltd.
Jun 2007 Executive Director
May 2016 President and Representative Director (currently)
May 2017 Chairman, Tokyo Security Service Association (currently)

<Important Position of Other Organizations Concurrently Assumed>
Chairman of Tokyo Security Service Association

■ 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

Yasuyuki Yoshida*

(Date of birth: March 28, 1958)

Re-election



Number of Shares
of the Company
Owned
2,814 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
Jun 2017 Senior 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 insight 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
4

Junzo Nakayama*

(Date of birth: February 24, 1958)

Re-election



Number of Shares
of the Company
Owned
2,073 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 Head, 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 insight 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.

[English Translation]

Candidate
Number
5

Ichiro Ozeki*

(Date of birth: March 1, 1961)

Re-election



Number of Shares
of the Company
Owned
300,139 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.
- Jun 2001 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.
- Jun 2016 Director
- Jun 2017 Chairman and Representative Director, Secom General Insurance Co., Ltd. (currently)
- Jun 2017 Executive Director (currently)

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

■ Reasons for Election

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

Candidate
Number
6

Tatsuro Fuse*

(Date of birth: September 9, 1957)

Re-election



Number of Shares
of the Company
Owned
3,039 shares

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

Mar 1982 Joined SECOM Co., Ltd.
Mar 2002 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.
Jun 2016 Managing Executive Officer
Jun 2017 Chairman and Director, Secom Medical System Co., Ltd. (currently)
Jun 2017 Executive Director (currently)

<Important Position of Other Organizations Concurrently Assumed>

Chairman and Director of Secom Medical System Co., Ltd.

■ Reasons for Election

Mr. Tatsuro Fuse has been engaged in medical service business as well as corporate communication & marketing division as Director of the Company. He holds affluent management experience at SECOM group and a high level of knowledge and insight in external business activities such as corporate communication & marketing, and for overall management including medical service 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

Tatsuya Izumida*

(Date of birth: November 3, 1960)

Re-election



Number of Shares
of the Company
Owned
1,127 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 has served for BPO and ICT business as Director of the Company for years. He holds affluent experience in management of SECOM group and a high level of knowledge and insight. In the light of continuous enhancement of the corporate value, we would like to ask shareholders to elect him as Director.

[English Translation]

Candidate
Number
8

Tatsushi Kurihara*

(Date of birth: June 5, 1961)

Re-election



Number of Shares
of the Company
Owned
327 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. He holds affluent experience and a high level of knowledge and insight in overall business administration and management. 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

(Date of birth: October 25, 1944)

Re-election

Candidate for Outside Director

Candidate for Independent Officer



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 of 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 and a high level of knowledge and insight in 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

(Date of birth: Jan 1, 1946)

Re-election

Candidate for Outside Director

Candidate for Independent Officer



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, MITI
- 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 knowledge and insight. 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)

Re-election

Candidate for Outside Director

Candidate for Independent Officer



Number of Shares
of the Company
Owned
400 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 of 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 and insight. 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 sites.
6. The number of years during which Mr. Takaharu Hirose is in the office of Outside Director of the Company will have been five (5) years at the close of this General Meeting of Shareholders.

[English Translation]

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 two (2) years 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. Ryohei Komatsu will resign the office of Audit & Supervisory Board Member at the close of this Ordinary General Meeting of Shareholders, accordingly 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. Koji Kato 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:

Candidate	Koji Kato (Date of birth: August 19, 1953)	New Candidate	 Number of Shares of the Company Owned 5,400 shares													
<p>■ Brief History, Position and Important Position of Other Organizations Concurrently Assumed, if any</p> <table><tr><td>Mar 1977</td><td>Joined SECOM Co., Ltd.</td></tr><tr><td>Oct 1990</td><td>General Manager, Management and Control Division</td></tr><tr><td>May 2000</td><td>Audit & Supervisory Board Member, Secom General Insurance Co., Ltd.</td></tr><tr><td>Jun 2001</td><td>Audit & Supervisory Board Member, Pasco Corporation</td></tr><tr><td>Jun 2007</td><td>Director, Toyo Tec Co., Ltd.</td></tr><tr><td>Jun 2010</td><td>Audit & Supervisory Board Member, Toyo Tec Co., Ltd.</td></tr><tr><td>Sep 2017</td><td>Deputy Head, Corporate Communication & Marketing Headquarters (currently)</td></tr></table>				Mar 1977	Joined SECOM Co., Ltd.	Oct 1990	General Manager, Management and Control Division	May 2000	Audit & Supervisory Board Member, Secom General Insurance Co., Ltd.	Jun 2001	Audit & Supervisory Board Member, Pasco Corporation	Jun 2007	Director, Toyo Tec Co., Ltd.	Jun 2010	Audit & Supervisory Board Member, Toyo Tec Co., Ltd.	Sep 2017
Mar 1977	Joined SECOM Co., Ltd.															
Oct 1990	General Manager, Management and Control Division															
May 2000	Audit & Supervisory Board Member, Secom General Insurance Co., Ltd.															
Jun 2001	Audit & Supervisory Board Member, Pasco Corporation															
Jun 2007	Director, Toyo Tec Co., Ltd.															
Jun 2010	Audit & Supervisory Board Member, Toyo Tec Co., Ltd.															
Sep 2017	Deputy Head, Corporate Communication & Marketing Headquarters (currently)															

■ Reasons for Election

Mr. Koji Kato has served for fund-raising, M&A deals, IR activities etc. of the Company for many years, as well as for management and control duties in the area of financial and legal affairs of SECOM group companies. He holds affluent experience in management and a high level of knowledge. 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 Full-time Audit & Supervisory Board Member.

(Note)

There is no particular interest between the Company and the said candidate.

[English Translation]

[Attached Documents]

Business Report (Fiscal Year Ended March 31, 2018)

I. Outline of the Group's Business

1. The Current Business Development and Results of Operations

During the fiscal year ended March 31, 2018 (“the current fiscal year”), Japanese economy has been in a moderate upward trend as shown in improvements in corporate earnings and employment environment, as well as recovery in private consumption. On the other hand, continual attentions to the effects of uncertainties in overseas economies related to various policies of the U.S., the trends of the emerging economies in Asia, including China, U.K. exiting the E.U. (BREXIT), the effects of geopolitical risks, in addition to the fluctuations in the financial and capital markets, have been required.

In this environment, we have been continuously pushing forward with efforts to establish “Social System Industry” which deliver safety and peace of mind, as well as make life more comfortable and convenient, whenever and wherever necessary for everyone. In May 2017, we formulated the SECOM Group’s Vision for 2030. Guided by this vision, we have been continuously promoting the “ALL SECOM” concept, which emphasizes cooperation among our various businesses to strengthen the bond of the group. In addition, we are working to realize the *ANSHIN* Platform, a service infrastructure designed to provide peace of mind to people in their everyday lives, as well as to society as a whole. To create the *ANSHIN* Platform, we are advancing collaborative initiatives with partners having same philosophy who provide various technologies and knowledges. In the period under review, we have been continuously trying to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind through the seamless provision of services.

In August 2017, “On-site Center”, a vehicle type monitoring center, was developed in order to support disaster affected areas or provide security in large-scale events. This mobile monitoring base enables real time gathering and provision of information, as well as on-site supervision. We provided security system combining it with wearable cameras among others in a city event and major sport events during the current fiscal year.

We have also been promoting innovative security services utilizing robot technologies. In March 2018, we started providing patrol and surveillance service using “SECOM Drone”, Japan’s first service with an autonomous small flying robot that launches, flies, returns and charges batteries autonomously. Furthermore, we have been actively working toward creating innovative services, such as developments of “SECOM Robot X2”, which conducts patrols and surveillances autonomously at unattended facilities during the night-time, and “SECOM Robot X3”, a communication robot with multiple functions in addition

[English Translation]

to security, route guidance and conversation, capitalizing mobile technologies through open-innovation with a major domestic research institute.

As a result, consolidated revenue for the current fiscal year increased by 4.6% to YEN 970.6 billion compared with the previous fiscal year. Consolidated operating profit increased by 3.4% to YEN 135.4 billion. Consolidated ordinary profit decreased by 1.8% to YEN 144.3 billion, mainly due to the decrease in net gains on private equity investment in the U.S. etc. (YEN 2.1 billion for the current fiscal year and YEN 14.4 billion for the previous fiscal year). Consolidated net income attributable to owners of the parent increased by 3.4% to YEN 86.9 billion, chiefly owing to the net increase in extraordinary profit/(losses) by YEN 5.1 billion. Consolidated revenue, consolidated operating profit and consolidated net income attributable to owners of the parent reached a record-high.

(Millions of Yen)

	Revenue	Operating profit	Ordinary profit	Net income attributable to owners of the parent
Current fiscal year (FY2017)	970,624	135,448	144,318	86,993
Previous fiscal year (FY2016)	928,098	131,050	147,033	84,170

During the current fiscal year, we acquired TMJ, Inc., a newly consolidated subsidiary, which boasts extensive experience in the area of BPO (Note 1) services, including operation of call center services. We are aiming to further expand our business capabilities through integrating BPO related services with our existing information and communication related services that focus primarily on ICT (Note 2) related services and data center services. Accordingly, Information and Communication related services were changed to BPO and ICT services. Reportable segments are not reclassified by this change.

Note 1: BPO (Business Process Outsourcing) means outsourcing operations such as data input/output and processing with the aim of improving efficiency and productivity.

Note 2: ICT (Information and Communication Technology)

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.

[English Translation]

For our commercial security services, we have made continuous efforts 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 commenced a full-scale provision of “3-Dimensional Security” for large-scale events. “SECOM 3D Security Planning”, which uses high-precision 3D maps for the formulation of an optimal security plan, combining with static guards, overhead venue surveillance by “SECOM Aerostat”, temporarily installed surveillance cameras on the ground, wearable cameras and “SECOM Drone Detection System”, among others, contributed to the successful staging of events with security and peace of mind.

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 started providing “SECOM Home Security NEO”, a flexible system suited to modern life styles that can be linked with devices on the IoT, etc., facilitating expansion of services. Concurrently, we launched “SECOM My Doctor Watch”, an emergency medical alert and health management service centered on a wearable wristband tracker, which is available as an optional service to “SECOM Home Security” subscribers. We also promoted another new optional product, “SECOM ANSHIN Home Delivery Box”, which enables recipients to receive parcels securely whether they are at home or not.

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, we formed a strategic partnership with a major local electric appliance manufacturer to cultivate the home security market in China.

As a result, mainly due to brisk sales of on-line security systems for commercial and residential use, as well as the increases in revenue in Asahi Security Co., Ltd., a provider of cash collection and delivery services, and in static guard services, revenue increased by 2.2% to YEN 545.7 billion and operating profit increased by 1.9% to YEN 115.6 billion.

In the fire protection services segment, we provided a broad range of fire protection systems such as high-quality fire alarm systems and fire extinguishing systems along with customers’ needs to a wide variety of facilities such as office buildings, production facilities, tunnels, cultural properties, ships and residences. In the current fiscal year, two major fire protection companies, Nohmi Bosai Ltd.

[English Translation]

and Nittan Co., Ltd., promoted various fire protection systems based on each company's business infrastructure and product development expertise.

Revenue increased by 8.2% to YEN 136.5 billion, mainly attributable to the contribution of large-scale projects, as a result of active marketing efforts, and operating profit increased by 18.6% to YEN 15.6 billion, chiefly owing to the improvement in cost ratio ascribed to the improvement of business efficiency.

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

Revenue increased by 6.2% to YEN 70.9 billion, mainly due to firm increase in sales of medical equipment and pharmaceutical dispensing services, in addition to the contribution of Takshasila Hospitals Operating Pvt. Ltd., a general hospital business subsidiary in India, and operating profit increased by 15.8% to YEN 5.4 billion, chiefly owing to the improvement 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.

Despite revenue increased by 3.1% to YEN 43.2 billion, mainly due to the firm increase in sales of MEDCOM, unrestricted cancer treatment policy, and fire insurance policy provided by Secom General Insurance Co., Ltd., operating profit decreased by 36.8% to YEN 1.3 billion, owing to the increase in losses incurred from typhoons.

In the geographic information services segment, we collected geographic data from aerial photography, vehicle/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.

[English Translation]

Revenue decreased by 1.4% to YEN 50.9 billion, mainly owing to the decrease in revenue in international division. Operating profit increased by 63.7% to YEN 2.0 billion, mainly attributable to the improvement in cost ratio ascribed to the decrease in provision for losses on construction contracts.

In the BPO and ICT services segment, our distinctive portfolio includes BCP (business continuity planning) support, information security services and a variety of cloud-based services centering on the data centers as well as BPO related services including operation of call center services. On October 2, 2017, we acquired TMJ, Inc., a newly consolidated subsidiary in order to expand our secure business support services, which boasts extensive experience and know-how in provision of quality outsourcing services to major companies in various industries.

Revenue increased by 39.9% to YEN 69.7 billion, chiefly owing to the contribution of TMJ, Inc., a newly consolidated subsidiary and the increase in revenue in data center. Despite the increases in cost ratio and in selling, general and administrative expenses, operating profit increased by 3.8% to YEN 7.2 billion, attributable to the increase in revenue.

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 decreased by 6.9% to YEN 53.3 billion and operating profit decreased by 3.4% to YEN 5.0 billion, mainly due to the decrease in revenue in the real estate development and sales business.

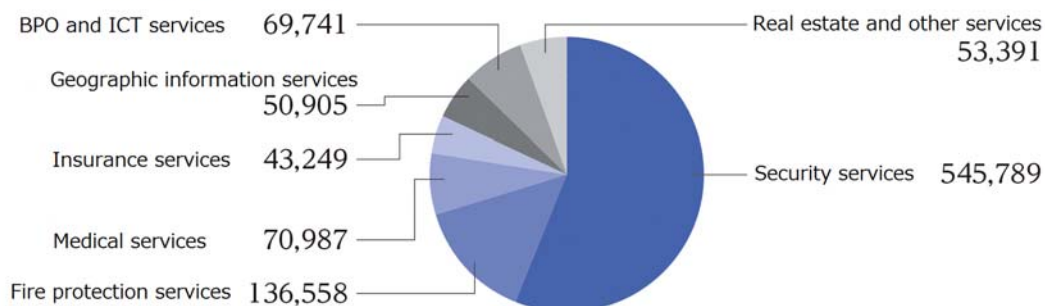
Results by Business Segment (57th Fiscal Year – current fiscal year)

(Millions of Yen)

Business segment	Revenue			Operating profit
	Customers	Intersegment	Total	
Security services	545,789	12,586	558,376	115,646
Fire protection services	136,558	4,170	140,728	15,632
Medical services	70,987	184	71,172	5,429
Insurance services	43,249	3,034	46,284	1,354
Geographic information services	50,905	175	51,081	2,060
BPO and ICT services	69,741	7,133	76,875	7,252
Real estate and other services	53,391	2,003	55,395	5,065
Total	970,624	29,289	999,914	152,443
Eliminations and corporate items	-	(29,289)	(29,289)	(16,995)
Consolidated revenue	970,624	-	970,624	135,448

With respect to the results by geographical segments, in Japan, revenue increased by 4.5% to YEN 922.0 billion. Overseas revenue increased by 5.8% to YEN 48.5 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, the Group has formulated the “SECOM Group’s Vision for 2030” which set the year 2030 as a milestone. Under this Vision, the Group is taking various measures to realize the “*ANSHIN* Platform” concept. In May 2018, the Group has formulated “SECOM Group Road Map 2022,” which further defines our direction going forward and ensures our growth towards the year 2030.

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 (Environment, Social and 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.

[English Translation]

3. Capital Expenditures

Capital expenditures for the current fiscal year totaled YEN 55.9 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 39.6 billion.

(Millions of Yen)

Business segment	Amount
Security services	39,690
Fire protection services	3,456
Medical services	1,443
Insurance services	1,986
Geographic information services	1,697
BPO and ICT services	6,297
Real estate and other services	1,677
Subtotal	56,249
Eliminations and corporate items	(342)
Total	55,907

4. Fund Raising

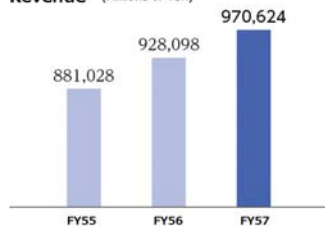
During the current fiscal year, no funds were raised by the Group in capital markets through the issuance of corporate bonds or new shares.

5. Trends in Earnings and Assets of the Group

(Millions of Yen except for net income per share)

Fiscal years Category	54th fiscal year (4/1/2014– 3/31/2015)	55th fiscal year (4/1/2015– 3/31/2016)	56th fiscal year (4/1/2016– 3/31/2017)	57th fiscal year (current fiscal year) (4/1/2017– 3/31/2018)
Revenue	840,722	881,028	928,098	970,624
Operating profit	123,615	128,582	131,050	135,448
Ordinary profit	136,688	134,826	147,033	144,318
Net income attributable to owners of the parent	75,392	77,039	84,170	86,993
Net income per share (Yen)	345.42	352.97	385.64	398.58
Return on Equity	9.9%	9.4%	9.8%	9.4%
Total assets	1,410,715	1,568,052	1,650,176	1,720,268
Net assets	907,341	943,144	1,013,253	1,081,213

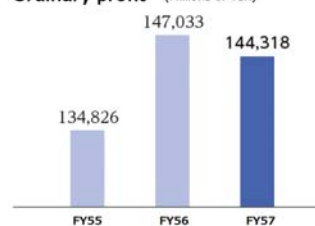
Revenue (Millions of Yen)



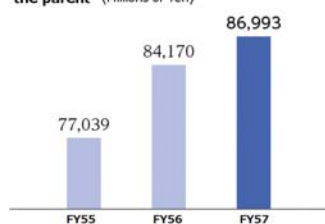
Operating profit (Millions of Yen)



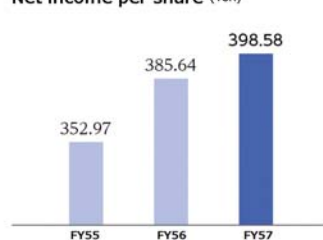
Ordinary profit (Millions of Yen)



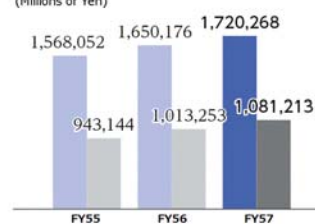
Net income attributable to owners of the parent (Millions of Yen)



Net income per share (Yen)



Total assets/Net assets (Millions of Yen)



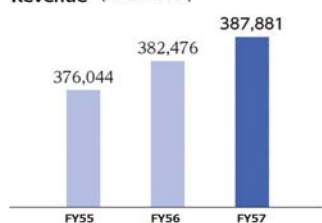
[English Translation]

6. Trends in Earnings and Assets of the Company

(Millions of Yen except for net income per share)

Fiscal years Category	54th fiscal year (4/1/2014– 3/31/2015)	55th fiscal year (4/1/2015– 3/31/2016)	56th fiscal year (4/1/2016– 3/31/2017)	57th fiscal year (current fiscal year) (4/1/2017– 3/31/2018)
Revenue	370,663	376,044	382,476	387,881
Operating profit	73,174	75,664	76,283	78,168
Ordinary profit	81,572	86,612	86,543	91,083
Net income	57,492	58,442	63,260	67,692
Net income per share (Yen)	263.41	267.76	289.84	310.15
Return on Equity	9.0%	8.8%	9.1%	9.3%
Total assets	795,778	826,124	850,851	887,673
Net assets	650,132	678,355	713,263	748,988

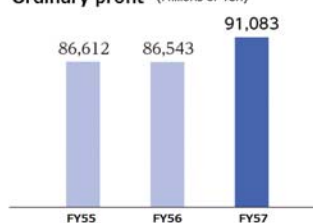
Revenue (Millions of Yen)



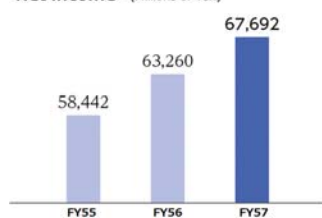
Operating profit (Millions of Yen)



Ordinary profit (Millions of Yen)



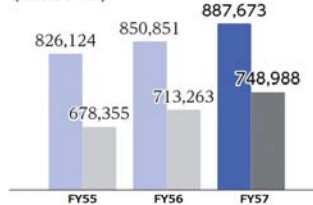
Net income (Millions of Yen)



Net income per share (Yen)



Total assets/Net assets
(Millions of Yen)



[English Translation]

7. Matters Concerning Principal Subsidiaries

Company name	Issued capital	Percentage of ownership (Percentage of voting rights)	Principal business activities
Secom Joshinetsu Co., Ltd.	(Millions of Yen) 3,530	(%) 50.87 (50.92)	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 (72.64)	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
TMJ, Inc.	(Millions of Yen) 100	(%) 100.00 (100.00)	BPO business including contact center business
Secom Home Life Co., Ltd.	(Millions of Yen) 3,700	(%) 99.97 (99.98)	Development and sales of real estate
The Westec Security Group, Inc.	(US\$) 301	(%) 100.00 (100.00)	Holding company in the U.S.

[English Translation]

Company name	Issued capital	Percentage of ownership (Percentage of voting rights)	Principal business activities
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, 179 consolidated subsidiaries and 18 affiliated companies 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; BPO and ICT Services centering on information security services, large-scale anti-disaster operations, datacenter and BPO business; 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 (Minato-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,

[English Translation]

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), TMJ, Inc. (Shinjuku-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
54,648	11,577

(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
15,677	274	42.6	16.1

(Note)

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

11. Principal Lenders

(Millions of Yen)

Lenders	Balance
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,446
Mizuho Bank, Ltd.	11,104
Sumitomo Mitsui Banking Corp.	6,908
Mitsubishi UFJ Trust and Banking Corp.	2,300

(Note)

The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its trade name to MUFG Bank, Ltd. effectively April 1, 2018.

12. Other Important Matters Concerning the Group

There is no matter applicable.

[English Translation]

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:** 233,290,441
(including 15,030,573 shares of treasury stock held by the Company)
- 3. Number of Shareholders at the End of the Fiscal Year:** 26,809
- 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)	27,584	12.63
Japan Trustee Services Bank, Ltd. (Trust Account)	15,308	7.01
JP MORGAN CHASE BANK 380072	13,916	6.37
STATE STREET BANK AND TRUST COMPANY 505223	5,248	2.40
STATE STREET BANK WEST CLIENT – TREATY 505234	4,607	2.11
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)	3,875	1.77
THE BANK OF NEW YORK MELLON SA/NV 10	3,529	1.61

(Note)

Although the Company holds treasury stock of 15,030,573 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.

[English Translation]

III. Directors and Audit & Supervisory Board Members

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

(As of March 31, 2018)

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 Chairman of Tokyo Security Service Association
Senior Executive Director	Yasuyuki Yoshida	Executive Officer (in charge of planning administration, strategic planning office, group companies supervisor and risk control)
Executive Director	Junzo Nakayama	Executive Officer (head of finance division)
Executive Director	Ichiro Ozeki	Executive Officer (head of Sales administration division and in charge of insurance business) Chairman and Representative Director of Secom General Insurance Co., Ltd.
Executive Director	Tatsuro Fuse	Executive Officer (head of corporate communication & marketing division) Chairman and Director of Secom Medical System Co., Ltd.
Director	Tatsuya Izumida	Executive Officer (head of human resource division and in charge of BPO and ICT businesses)
Director	Tatsushi Kurihara	Executive Officer (head 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	Outside Director of SMBC Nikko Securities Inc.

[English Translation]

Position	Name	Field of responsibility and important position of other organization concurrently assumed
Audit & Supervisory Board Member	Makoto Yasuda	President and Representative Director of Yasuda Makoto & Co., Ltd., Outside Director of Sanwa Holdings Corp.
Audit & Supervisory Board Member	Masao Yokomizo	

(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, Makoto Yasuda and Masao Yokomizo 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 Member, Messrs. Hideki Kato 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, Makoto Yasuda and Masao Yokomizo being independent officers was submitted to Tokyo Stock Exchange, Inc.
8. Changes in post of Directors and Audit & Supervisory Board Members during the current fiscal year
 - 1) Mr. Tatsuro Fuse was elected as Director at the 56th Ordinary General Meeting of Shareholders held on June 27, 2017 and assumed the office.
 - 2) Audit & Supervisory Board Member Mr. Kenichi Sekiya resigned from Audit & Supervisory Board Member at the close of the 56th Ordinary General Meeting of Shareholders held on June 27, 2017.
 - 3) Mr. Masao Yokomizo was elected as Audit & Supervisory Board Member at the 56th Ordinary General Meeting of Shareholders held on June 27, 2017 and assumed the office.
9. Changes in position of Directors during the current fiscal year
 - 1) Executive Director Mr. Yasuyuki Yoshida was appointed to Senior Executive Director as of June 27, 2017.
 - 2) Director Mr. Ichiro Ozeki was appointed to Executive Director as of June 27, 2017.
 - 3) Director Mr. Tatsuro Fuse was appointed to Executive Director as of June 27, 2017.

[English Translation]

〈Reference〉

Executive Officers who are not Directors are as follows:

(As of May 1, 2018)

Title	Name
Managing Executive Officer	Kenichi Furukawa, Masahiro Takeda, Teruhisa Yoshimura, Hideo Morishita, Toshiaki Mizuno, Shokichi Ishimura, Keitaro Arai
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, Kazuhiro Mitomo, Takehiko Senda, Takashi Nakada

(Notes)

1. Mr. Keitaro Arai was appointed to Managing Executive Officer as of June 1, 2017.
2. Messrs. Kazuhiro Mitomo, Takehiko Senda and Takashi Nakada were appointed to Executive Officer as of June 1, 2017.

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

	Total amount of remuneration etc. (Millions of Yen)	Breakdown of total amount of remuneration etc. (Millions of Yen)				No. of entitled officers
		Basic	Stock option	Bonus	Restricted stock*	
Directors (excluding Outside Directors)	319	261	-	46	11	8
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	45	45	-	-	-	2
Outside Directors	28	28	-	-	-	3
Outside Audit & Supervisory Board Members	25	25	-	-	-	4
Total	418	360	-	46	11	17

* Shares with limited transfer.

[English Translation]

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

(1) Remuneration of Directors

The remuneration for the directors of the Company consists of pecuniary remuneration and share-based remuneration (by means of share with limited transfer). Outside directors receive only pecuniary remuneration.

The pecuniary remuneration of Directors is determined by the consultation of the Nomination and Compensation Committee, which is authorized by the Board of Directors meeting, within the limit of the amount of remuneration resolved at the General Meeting of Shareholders. The share-based remuneration is determined by the Board of Directors meeting, after considering the deliberations made by the Nomination and Compensation Committee with respect, within the limit of the amount of remuneration resolved at the General Meeting of Shareholders, which is separately set from the one of the pecuniary remuneration.

(2) Remuneration of Audit & Supervisory Board Members

The remuneration for Audit & Supervisory Board Members of the Company consists of pecuniary remuneration. The remuneration of Audit & Supervisory Board Members is determined by the discussion 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

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	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 important positions in government. He also asked questions and stated opinions in order to clarify unclear issues.
Outside Director	Hajime Watanabe	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 corporate management for many years as a corporate executive. He also asked questions and stated opinions in order to clarify unclear issues.
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.

[English Translation]

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	Makoto Yasuda	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 management of global enterprise. 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	Masao Yokomizo	9 (out of 9)	9 (out of 9)	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience and insight gained through the important positions in government. He also asked questions and stated opinions in order to clarify unclear issues.

(Note) Mr. Masao Yokomizo was elected as Audit & Supervisory Board Member at the 56th ordinary general meeting of shareholders held on June 27, 2017, 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 27, 2017.

IV. Accounting Auditor

1. Name of Accounting Auditor

KPMG AZSA LLC

2. Remuneration of Accounting Auditor

(Millions of Yen)

Category	Previous Fiscal Year		Current Fiscal Year	
	Audit certification work	Non-audit work	Audit certification work	Non-audit work
Company	225	17	225	32
Consolidated Subsidiaries	435	5	390	27
Total	660	22	616	60

(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 the Company 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 WEAVER AND TIDWELL 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 as non-audit duties, including work for financial due diligence.

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

[English Translation]

make decision on appointment of a temporary Accounting Auditor or a substitute 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 situations 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

Outline of 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" (so-called the basic policy regarding the internal control system) of the Company, which the Board of Directors' Meeting resolved, is as follows. (The latest revision was made on April 8, 2015.)

(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

[English Translation]

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 Directors shall be maintained and controlled

[English Translation]

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.

[English Translation]

- (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 “Group Head Office Helpline” 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

[English Translation]

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

[English Translation]

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 Helpline” 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

[English Translation]

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

[English Translation]

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 11 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. 30 Executive Officers including 7 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, 2018.)

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

[English Translation]

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 59 times). Furthermore, Audit & Supervisory Board held the “SECOM Group Audit & Supervisory Board Members and Internal Audit Departments Joint Liaison Meeting” (once) with Group Audit & Supervisory Board Members, internal audit departments and Accounting Auditor, besides cooperation by Group Audit & Supervisory Board Members (total of 22 times). 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 reports 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”

[English Translation]

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, 2018)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
ASSETS		LIABILITIES	
Current assets:	806,746	Current liabilities:	357,544
Cash on hand and in banks	317,267	Notes and accounts payable, trade	43,929
Cash deposits for armored car services	135,808	Bank loans	41,558
Notes and accounts receivable, trade	129,984	Current portion of straight bonds	795
Due from subscribers	35,272	Lease obligations	4,932
Short-term investments	17,360	Payables – other	40,102
Lease receivables and investment in leased assets	45,544	Accrued income taxes	25,896
Merchandise and products	12,321	Accrued consumption taxes	7,959
Real estate inventories	4,766	Accrued expenses	7,084
Work in process	5,057	Deposits received for armored car services	113,830
Costs on uncompleted construction contracts	10,441	Deferred revenue	30,309
Work in process for real estate inventories	39,688	Accrued bonuses	16,209
Raw materials and supplies	8,849	Provision for losses on construction contracts	2,436
Deferred income taxes	14,651	Other	22,499
Short-term loans receivable	5,196		
Other	26,352		
Allowance for doubtful accounts	(1,818)		
Fixed assets:	913,521	Long-term liabilities:	281,510
Tangible assets:	373,689	Straight bonds	5,322
Buildings and improvements, net	148,622	Long-term loans	12,721
Machinery and equipment and automobiles	8,645	Lease obligations	11,902
Security equipment and control stations, net	70,872	Guarantee deposits received	33,181
Tools, furniture and fixtures	23,770	Deferred income taxes	19,362
Land	114,287	Accrued retirement benefits for directors and audit & supervisory board members	1,421
Construction in progress	7,490	Net defined benefit liability	21,849
		Investment deposits by policyholders, unearned premiums and other insurance liabilities	172,345
Intangible assets:	131,028	Other	3,403
Software	17,833		
Goodwill	78,061		
Other	35,133		
		Total liabilities	639,054
Investments and others:	408,803	NET ASSETS	
Investment securities	280,659	Shareholders' equity:	924,729
Long-term loans receivable	35,284	Common stock	66,385
Lease deposits	14,286	Capital surplus	80,328
Long-term prepaid expenses	24,670	Retained earnings	851,764
Net defined benefit asset	41,409	Common stock in treasury, at cost	(73,748)
Deferred income taxes	12,150		
Other	13,374	Accumulated other comprehensive income (losses):	27,894
Allowance for doubtful accounts	(13,033)	Unrealized gains on securities	23,759
		Deferred losses on hedges	(24)
		Foreign currency translation adjustments	(5,774)
		Remeasurements of defined benefit plans, net of taxes	9,933
		Noncontrolling interests:	128,589
		Total net assets	1,081,213
TOTAL ASSETS	1,720,268	TOTAL LIABILITIES AND NET ASSETS	1,720,268

[English Translation]

Consolidated Statement of Income
(Fiscal Year from April 1, 2017 to March 31, 2018)

(Millions of Yen)

ITEM	AMOUNT	
Revenue		970,624
Costs of revenue	652,673	
Gross profit		317,950
Selling, general and administrative expenses	182,502	
Operating profit		135,448
Non-operating income:		
Interest income	1,102	
Dividends income	803	
Gain on sales of investment securities	1,056	
Net gains from investment in affiliated companies accounted for under the equity method	6,398	
Gain on private equity investments	2,185	
Other	1,606	13,152
Non-operating expenses:		
Interest expenses	775	
Loss on sales of investment securities	275	
Loss on sales and disposal of fixed assets	1,160	
Write-off of long-term prepaid expenses	614	
Foreign exchange loss, net	213	
Provision of allowance for doubtful accounts	229	
Other	1,013	4,281
Ordinary profit		144,318
Extraordinary profit:		
Gain on sales of fixed assets	990	
Overseas tax related gain	725	
Gain on sales of investment securities	504	
Other	251	2,471
Extraordinary losses:		
Allowance for price fluctuation	1,188	
Impairment losses on fixed assets	841	
Loss on revaluation of investment securities	1	
Other	514	2,545
Income before income taxes		144,245
Income taxes- current	54,811	
Income taxes - deferred	(9,314)	45,496
Net income		98,748
Net income attributable to noncontrolling interests		11,755
Net income attributable to owners of the parent		86,993

[English Translation]

Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2017 to March 31, 2018)

(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	80,297	797,493	(73,731)	870,437
Changes during the fiscal year:					
Issuance of new stocks	7	7			14
Cash dividends			(32,739)		(32,739)
Net income attributable to owners of the parent			86,993		86,993
Purchase of treasury stock				(17)	(17)
Disposal of treasury stock			0	0	0
Changes in shares of parent arising from transactions with non-controlling interest		23			23
Changes in the scope of application of the equity method			17		17
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	7	30	54,271	(17)	54,292
Balance at the end of the fiscal year	66,385	80,328	851,764	(73,748)	924,729

[English Translation]

(Millions of Yen)

	Accumulated other comprehensive income					Noncontrolling interests in subsidiaries	Total net assets
	Unrealized gains on securities	Deferred gains (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	25,125	(30)	(7,954)	4,423	21,563	121,253	1,013,253
Changes during the fiscal year:							
Issuance of new stocks							14
Cash dividends							(32,739)
Net income attributable to owners of the parent							86,993
Purchase of treasury stock							(17)
Disposal of treasury stock							0
Changes in shares of parent arising from transactions with non-controlling interests							23
Changes in the scope of application of the equity method							17
Net changes of items other than shareholders' equity	(1,365)	5	2,180	5,510	6,330	7,336	13,667
Total changes during the fiscal year	(1,365)	5	2,180	5,510	6,330	7,336	67,959
Balance at the end of the fiscal year	23,759	(24)	(5,774)	9,933	27,894	128,589	1,081,213

[English Translation]

Non-Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets:	199,756	Current liabilities:	110,226
Cash on hand and in banks	85,009	Accounts payable	4,108
Cash deposits for armored car services	38,347	Bank loans	21,940
Notes receivable	523	Lease obligations	229
Due from subscribers	17,286	Payables – other	16,708
Accounts receivable, trade	10,995	Payables – construction	3,897
Receivables – other	4,387	Accrued income taxes	13,162
Merchandise	5,628	Accrued consumption taxes	3,817
Supplies	1,767	Accrued expenses	691
Prepaid expenses	2,556	Deposits received for armored car services	16,446
Deferred income taxes	3,627	Deferred revenue	20,300
Short-term loans receivable	28,017	Accrued bonuses	6,300
Other	1,712	Other	2,623
Allowance for doubtful accounts	(105)		
Fixed assets:	687,917	Long-term liabilities:	28,458
Tangible assets:	114,504	Lease obligations	2,358
Buildings and improvements	16,160	Guarantee deposits received	16,640
Automobiles	611	Deferred income taxes	7,203
Security equipment and control stations	67,746	Accrued pension and severance costs	2,164
Machinery and equipment	162	Other	91
Tools, furniture and fixtures	2,861		
Land	22,077	Total liabilities	138,685
Construction in progress	4,812	<u>NET ASSETS</u>	
Other	72	Shareholders' equity:	741,579
Intangible assets:	6,644	Common stock	66,385
Software	5,903	Capital surplus:	83,062
Other	741	Additional paid-in capital	83,061
Investments and others:	566,767	Other capital surplus	0
Investment securities	24,583	Retained earnings:	665,881
Investment securities in subsidiaries and affiliated companies	350,551	Legal reserve	9,028
Investments in subsidiaries and affiliated companies	2,098	Other retained earnings	656,852
Long-term loans receivable	138,277	Reserve for system developments	800
Lease deposits	7,650	General reserve	2,212
Long-term prepaid expenses	20,622	Accumulated earnings carried forward	653,840
Prepaid pension and severance costs	20,763	Common stock in treasury, at cost	(73,748)
Insurance funds	4,046	Valuation, translation adjustments and others:	7,408
Other	2,613	Unrealized gains on securities	7,408
Allowance for doubtful accounts	(4,440)		
		Total net assets	748,988
TOTAL ASSETS	887,673	TOTAL LIABILITIES AND NET ASSETS	887,673

[English Translation]

Non-Consolidated Statement of Income
(Fiscal Year from April 1, 2017 to March 31, 2018)

(Millions of Yen)

ITEM	AMOUNT	
Revenue		387,881
Costs of revenue	229,332	
Gross profit		158,549
Selling, general and administrative expenses	80,380	
Operating profit		78,168
Non-operating income:		
Interest income	1,521	
Dividends income	12,927	
Other	530	14,978
Non-operating expenses:		
Interest expenses	189	
Loss on sales and disposal of fixed assets	951	
Write-off of long-term prepaid expenses	489	
Other	433	2,064
Ordinary profit		91,083
Extraordinary profit:		
Reversal of allowance for doubtful accounts	1,000	
Overseas tax related gain	725	
Gain on sales of investment securities	168	
Other	2	1,896
Extraordinary losses:		
Loss on revaluation of investment securities in subsidiaries and affiliated companies	316	
Loss on sale of tangible asset	5	
Other	3	324
Income before income taxes		92,655
Income taxes - current	24,694	
Income taxes - deferred	268	24,962
Net income		67,692

Non-Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2017 to March 31, 2018)

(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
Changes during the fiscal year:				
Issuance of new stocks	7	7		7
Cash dividends				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			0	0
Net changes of items other than shareholders' equity				
Total changes during the fiscal year	7	7	0	7
Balance at the end of the fiscal year	66,385	83,061	0	83,062

[English Translation]

(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	618,887	630,927
Changes during the fiscal year:					
Issuance of new stocks					
Cash dividends				(32,739)	(32,739)
Net income				67,692	67,692
Purchase of treasury stock					
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	-	-	-	34,953	34,953
Balance at the end of the fiscal year	9,028	800	2,212	653,840	665,881

[English Translation]

(Millions of Yen)

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Common stock in treasury, at cost	Total shareholders' equity	Unrealized gains on securities	Total valuation, translation adjustments and others	
Balance at the beginning of the fiscal year	(73,731)	706,629	6,634	6,634	713,263
Changes during the fiscal year:					
Issuance of new stocks		14			14
Cash dividends		(32,739)			(32,739)
Net income		67,692			67,692
Purchase of treasury stock	(17)	(17)			(17)
Disposal of treasury stock	0	0			0
Net changes of items other than shareholders' equity			774	774	774
Total changes during the fiscal year	(17)	34,950	774	774	35,724
Balance at the end of the fiscal year	(73,748)	741,579	7,408	7,408	748,988

[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 21, 2018

The Board of Directors
SECOM Co., Ltd.

KPMG AZSA LLC

Kiyoyuki Sakurai (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, 2018 and for the year from April 1, 2017 to March 31, 2018 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 21, 2018

The Board of Directors
SECOM Co., Ltd.

KPMG AZSA LLC

Kiyoyuki Sakurai (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, 2018 and for the 57th business year from April 1, 2017 to March 31, 2018 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 21, 2018

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

Makoto Yasuda (Seal)
Outside Audit & Supervisory
Board Member

Masao Yokomizo (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 57th business term from April 1, 2017 through March 31, 2018 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