



Notice of Convocation

The 58th Ordinary General Meeting of Shareholders

The following is an English translation of the Notice of Convocation of the 58th Ordinary General Meeting of Shareholders of SECOM CO., LTD. to be held on June 26, 2019, except for the translation of the INSTRUCTION ON ONLINE VOTING and the ACCESS MAP FOR THE PLACE OF THE MEETING in the Notice. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

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[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, 2019

Notice of Convocation of The 58th Ordinary General Meeting of Shareholders

Dear Shareholders:

You are cordially invited to attend the 58th 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, 2019 (Tuesday):

[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/>). 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:

Wednesday, June 26, 2019 at 10:00 a.m.

2. Place of the Meeting:

Bersarle Hanzomon, Sumitomo Fudosan Hanzomon-Ekimae Building 2F,
6-4, Kojimachi 1-chome, Chiyoda-ku, Tokyo

3. Matters to be dealt with at the Meeting:

Matters to be Reported:

1. Report on the Business Report, the Consolidated Financial Statements for the 58th Fiscal Year (from April 1, 2018 to March 31, 2019) 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 58th Fiscal Year (from April 1, 2018 to March 31, 2019).

Matters to be Resolved upon:

First Item of Business:	Proposed Distribution of Surplus
Second Item of Business:	Election of Ten (10) Directors
Third Item of Business:	Election of Five (5) Audit & Supervisory Board Members

4. Matters related to Exercise of Voting Rights:

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

[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 85 per share. A total amount of dividend per share, together with the interim dividend of YEN 80 per share, will be YEN 165, an increase of YEN 10 per share from the previous fiscal year in which dividend was YEN 155 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 85 per share of common stock of the Company
The total amount: YEN 18,552,129,920
- (3) Effective date for distribution of surplus:
June 27, 2019

[English Translation]

Second Item of Business: Election of Ten (10) Directors

The term of office of all of the ten (10) Directors will expire at the close of this Meeting. In connection therewith, we would like to ask shareholders to elect ten (10) Directors.

The candidates are as follows:

No.		Name			Current Position at the Company
1	<input type="button" value="Re-election"/>	Makoto Iida			Supreme Advisor and Director
2	<input type="button" value="Re-election"/>	Yasuo Nakayama			President and Representative Director
3	<input type="button" value="Re-election"/>	Yasuyuki Yoshida			Senior Executive Director
4	<input type="button" value="Re-election"/>	Ichiro Ozeki			Executive Director
5	<input type="button" value="Re-election"/>	Tatsuro Fuse			Executive Director
6	<input type="button" value="Re-election"/>	Tatsuya Izumida			Director
7	<input type="button" value="Re-election"/>	Tatsushi Kurihara			Director
8	<input type="button" value="Re-election"/>	Takaharu Hirose	<input type="button" value="Outside Director"/>	<input type="button" value="Independent Officer"/>	Outside Director
9	<input type="button" value="Re-election"/>	Hirobumi Kawano	<input type="button" value="Outside Director"/>	<input type="button" value="Independent Officer"/>	Outside Director
10	<input type="button" value="Re-election"/>	Hajime Watanabe	<input type="button" value="Outside Director"/>	<input type="button" value="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
4,241,371
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
4,864 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

■ 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 has achieved steady growth for the Company 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.

Candidate
Number
3

Yasuyuki Yoshida*

(Date of birth: March 28, 1958)

Re-election



Number of Shares
of the Company
Owned
3,135 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 service business, and overall management planning of the group including supervising group companies as Director. He holds a high level of knowledge and experience in overall management including management control and strategic planning areas based on affluent management experience at SECOM group. In the light of continuous enhancement of the corporate value, we would like to ask shareholders to elect him as Director.

Candidate
Number
4

Ichiro Ozeki*

(Date of birth: March 1, 1961)

Re-election



Number of Shares
of the Company
Owned
300,282 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, SECOM Co., Ltd.
Jun 2016 Chairman and Director, Secom General Insurance Co., Ltd.
Jun 2016 Director
Jun 2017 Chairman and Representative Director, Secom General Insurance Co., Ltd.
Jun 2017 Executive Director (currently)

■ Reasons for Election

Mr. Ichiro Ozeki, in addition to many years leading a Group Company as Representative Director, following the assumption of office as Director of SECOM Co., Ltd., has led nationwide sales as head of the sales division and has promoted stronger and more efficient field operations as head of the operation division. He holds a high level of knowledge and experience in overall management of the security service business. 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
5

Tatsuro Fuse*

(Date of birth: September 9, 1957)

Re-election



Number of Shares
of the Company
Owned
3,282 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, 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 experience in external business activities such as corporate communication & marketing, and in 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
6

Tatsuya Izumida*

(Date of birth: November 3, 1960)

Re-election



Number of Shares
of the Company
Owned
1,258 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, as Director of the Company, has engaged for many years in the BPO and ICT business and has served as General Manager of the training department and head of the human resource division. Thus he possesses an abundance of experience and a high level of knowledge in overall operations in the security service business. 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
7

Tatsushi Kurihara*

(Date of birth: June 5, 1961)

Re-election



Number of Shares
of the Company
Owned
558 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 and human resource divisions of the Company serving as Director. He holds affluent experience in overall administrative business and overall management, and a high level of knowledge. In the light of continuous enhancement of the corporate value, we would like to ask shareholders to elect him as Director.

Candidate
Number
8

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

[English Translation]

Candidate
Number
9

Hirobumi Kawano

(Date of birth: January 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 from 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
- Jun 2016 Director, SECOM Co., Ltd. (currently)
- Jun 2018 Outside Audit & Supervisory Board Member, San-Ai Oil Co., Ltd. (currently)

<Important Position of Other Organizations Concurrently Assumed>
Outside Audit & Supervisory Board Member, San-Ai Oil Co., Ltd.

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

Candidate
Number
10

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
700 shares

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

- Mar 1975 Joined Watanabe Pipe Co., Ltd.
- Apr 1978 Executive Director, Watanabe Pipe Co., Ltd.
- Apr 1983 Senior Executive Director, Watanabe Pipe Co., Ltd.
- Jun 1985 Vice President and Representative Director, Watanabe Pipe Co., Ltd.
- Nov 1991 President and Representative Director, Watanabe Pipe Co., Ltd. (currently)
- Jun 2016 Director, SECOM Co., Ltd. (currently)

<Important Position of Other Organizations Concurrently Assumed>
President and Representative Director, Watanabe Pipe Co., Ltd.

Reasons for Election

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

[English Translation]

(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 discussion at the Board of Directors. The Board of Directors decided the candidates for Directors after the discussion process of the Nomination and Compensation Committee comprising a majority of 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 for 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 for six (6) years at the close of this General Meeting of Shareholders.
7. The number of years during which Messrs. Hirobumi Kawano and Hajime Watanabe are in the office of Outside Director of the Company will have been for three (3) 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.

[English Translation]

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

The term of office of all of the five (5) Audit & Supervisory Board Members will expire at the close of this Meeting. Accordingly we would like to ask shareholders to re-elect four (4) Audit & Supervisory Board Members and to elect one (1) new Audit & Supervisory Board Member.

With respect to this item of business, the Audit & Supervisory Board has given consent.

The candidates for Audit & Supervisory Board Members are as follows:

Candidate Number 1

Takayuki Ito

(Date of birth: January 2, 1954)

Re-election



Number of Shares
of the Company
Owned
1,800 shares

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

Jul 2002	Branch Manager and General Manager, Corporate Sales Department, Muromachi Branch, UFJ Bank, Ltd. (presently MUFG Bank, Ltd.)
Jun 2005	Advisor, SECOM Co., Ltd.
Jun 2006	Executive Officer
Jun 2007	Director (retired in Jun 2012)
Jul 2010	Vice President and Representative Director, Secom Home Life Co., Ltd.
Sep 2010	President and Representative Director, Secom Home Life Co., Ltd.
Jun 2015	Audit & Supervisory Board Member (currently)

■ Reasons for Election

Mr. Takayuki Ito has served in key positions at a bank, and for many years as a Director at the Company primarily in management and control. He has also served as President and Representative Director of a Group Company. He possesses affluent experience and a high level of knowledge in financial and legal affairs, acquired through these positions. The Company expects he will supervise overall management, and give effective advice from his wide insight. We would like to ask shareholders to elect him as Full-time Audit & Supervisory Board Member.

**Candidate
Number**
2

Koji Kato

(Date of birth: August 19, 1953)

Re-election



Number of Shares
of the Company
Owned
5,600 shares

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

Mar 1977 Joined SECOM Co., Ltd.
Oct 1990 General Manager, Management and Control Department
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 Division
Jun 2018 Audit & Supervisory Board Member (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 acquired through these positions. The Company expects he will supervise overall management, and give effective advice from his wide insight. We would like to ask shareholders to elect him as Full-time Audit & Supervisory Board Member.

Candidate
Number
3

Hideki Kato

(Date of birth: January 5, 1950)

Re-election

Candidate for Outside Audit &
Supervisory Board Member

Candidate for Independent Officer



Number of Shares
of the Company
Owned
0 shares

- Brief History, Position, and Important Position of Other Organizations Concurrently Assumed, if any
 - Apr 1973 Joined the Ministry of Finance
 - Jul 1990 Director, Planning Office, Secretariat, the Fair Trade Commission
 - Sep 1996 Retired from the Ministry of Finance
 - Apr 1997 Professor, Faculty of Policy Management, Keio University
 - Apr 1997 Founded Japan Initiative, a policy think tank, (presently a general incorporated association) and assumed Representative (currently)
 - Apr 2006 Chairman, the Tokyo Foundation, an incorporated foundation (presently a public interest incorporated foundation)
 - Oct 2009 Member and Director-General, Government Revitalization Unit, Cabinet Office
 - Jun 2012 Audit & Supervisory Board Member, SECOM Co., Ltd. (currently)
 - Oct 2014 Member of Administrative Council, National University Corporation, Kyoto University (currently)
 - Apr 2015 Specially Appointed Professor, Graduate School of Economics, National University Corporation, Kyoto University (currently)
 - Jun 2016 Outside Director, SMBC Nikko Securities Inc. (currently)
- <Important Position of Other Organizations Concurrently Assumed>
Outside Director, SMBC Nikko Securities Inc.

■ Reasons for Election

Mr. Hideki Kato has served for many years in key positions at the Ministry of Finance, the Japan Fair Trade Commission, a national university corporation and at various public interest incorporated associations and foundations. He holds affluent experience and a high level of knowledge based on the implementation of national policy and numerous achievements at policy think tanks. The Company expects he will supervise overall management, and give effective advice from his wide insight. We would like to ask shareholders to elect him as Outside Audit & Supervisory Board Member.

Candidate
Number
4

Makoto Yasuda

(Date of birth: November 7, 1937)

Re-election

Candidate for Outside Audit &
Supervisory Board Member

Candidate for Independent Officer



Number of Shares
of the Company
Owned
500 shares

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

- Apr 1960 Joined Yamatake Corporation (presently Azbil Corporation)
- Aug 1968 Resigned from Yamatake Corporation
- Feb 1969 Joined Private Investment Company for Asia (PICA) S.A.
- Feb 1977 Executive Vice President and Director, PICA S.A.
- May 1987 President and Representative Director, Elders and Yasuda (presently Yasuda Makoto & Co., Ltd.) (currently)
- Jun 2000 Audit & Supervisory Board Member, Azbil Corporation
- May 2001 Director, Li & Fung Ltd.
- Jun 2006 Director, Azbil Corporation
- Jun 2014 Outside Director, Sanwa Holdings Corporation (currently)
- Jun 2015 Audit & Supervisory Board Member, SECOM Co., Ltd. (currently)

<Important Position of Other Organizations Concurrently Assumed>

- President and Representative Director, Yasuda Makoto & Co., Ltd.
- Outside Director, Sanwa Holdings Corporation

■ Reasons for Election

Mr. Makoto Yasuda, in addition to managing global companies for many years, has served as Director and Audit & Supervisory Board Member of numerous companies. He possesses affluent experience and a high level of knowledge acquired in these positions. The Company expects he will supervise overall management, and give effective advice from his wide insight. We would like to ask shareholders to elect him as Outside Audit & Supervisory Board Member.

Candidate
Number
5

Setsuo Tanaka

(Date of birth: April 29, 1943)

New Candidate

Candidate for Outside Audit &
Supervisory Board Member

Candidate for Independent Officer



Number of Shares
of the Company
Owned
0 shares

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

- Apr 1966 Joined National Police Agency
- Aug 1991 Chief, Miyagi Prefectural Police
- Aug 1993 Director of Traffic Bureau, National Police Agency
- Jan 2000 Commissioner General, National Police Agency
- Aug 2002 Retired from National Police Agency
- Sep 2002 Non-regular Staff, Dai-ichi Mutual Life Insurance Company (presently Dai-ichi Life Holdings, Inc.)
- Jun 2006 President, Japan Automobile Federation
- Jun 2007 Outside Audit & Supervisory Board Member, NGK Insulators, Ltd.
- Jun 2011 Outside Audit & Supervisory Board Member, KONAMI CORPORATION (presently KONAMI HOLDINGS CORPORATION)
- Jun 2013 President & Representative Director, Japan Federation of Authorized Drivers School Associations
- May 2018 President & Representative Director, Public Interest Incorporated Foundation, Japan Police Scholarship Association (currently)
- May 2018 President & Representative Director, Public Interest Incorporated Foundation, Japan Police Support Association (currently)

■ Reasons for Election

Mr. Setsuo Tanaka, in addition to serving in key positions at the National Police Agency for many years, has served as Audit & Supervisory Board Member and Board Director at various companies and general / public interest incorporated associations. He possesses affluent experience and a high level of knowledge acquired in these positions. The Company expects he will supervise overall management, and give effective advice from his wide insight. We would like to ask shareholders to elect him as Outside Audit & Supervisory Board Member.

(Note)

1. The Company pays a membership fee (under 10 million YEN) to forums that are held by Japan Initiative (a general incorporated association), a non-profit independent policy think tank, the president of which is Mr. Hideki Kato. In addition, the Company makes a donation (each under 10 million YEN) to the Public Interest Incorporated Foundation, Japan Police Scholarship Association and to the Public Interest Incorporated Foundation, Japan Police Support Association, each of which Mr. Tanaka is President & Representative Director. There is no particular interest between the Company and the other candidates.
2. Messrs. Hideki Kato, Makoto Yasuda and Setsuo Tanaka are candidates for Outside Audit & Supervisory Board Member. The designation of Messrs. Hideki Kato, Makoto Yasuda and Setsuo Tanaka as Independent Officers has been filed with Tokyo Stock Exchange, Inc.
3. Reasons to Expect Candidates for Outside Audit & Supervisory Board Member will Appropriately Execute their Duties:

Mr. Hideki Kato has no direct experience of corporate management, but in addition to his experience in finance from his time in office at the Ministry of Finance, Mr. Kato possesses expertise in finance and accounting from policy presentations made in regard to the public accounting system, which reviewed public administrative services from the viewpoint of their balance sheets, one of the activities of the above think tank. The Company expects that he will appropriately execute his duties as Outside Audit & Supervisory Board Member.

Mr. Setsuo Tanaka has no direct experience of corporate management, but possesses affluent experience and achievements, having served as Commissioner of the National Police Agency and as Outside Audit & Supervisory Board Member of numerous companies. The Company expects that he will appropriately exercise his duties as Outside Audit & Supervisory Board Member.
4. When Mr. Setsuo Tanaka was in office as Outside Audit & Supervisory Board Member at NGK Insulators, Ltd., the company entered into a plea agreement in September 2015 with the United States Department of Justice, agreeing to pay a fine in regard to violations of the United States Anti-Trust Laws in connection with some of its transactions related to ceramic substrates for catalytic converters. Mr. Setsuo Tanaka spoke regularly from the viewpoint of legal compliance at meetings of the Board of Directors and following this incident, played an active role through the activities of the independent committee, in the strengthening of the compliance structure of the company, including compliance in regard to competition laws. Furthermore, in January 2018, NGK Insulators Ltd. confirmed instances where delivery tests were not appropriately conducted as required by customer agreements in regard to insulators and related products shipped by the company. Although Mr. Tanaka was not aware of this fact until its discovery, he regularly spoke at meetings of the Board of Directors from the viewpoint of compliance and following this incident, made proposals requiring investigation of the facts, analysis of the cause, and establishment of remedial measures to prevent reoccurrence.
5. Mr. Hideki Kato will have been in office of Outside Audit & Supervisory Board Member for seven (7) years at the close of this General Meeting of Shareholders.

Mr. Makoto Yasuda will have been in office of Outside Audit & Supervisory Board Member for four (4) years at the close of this General Meeting of Shareholders.
6. The Company has entered into, with each of Mr. Hideki Kato and Mr. Makoto Yasuda, 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. If they are re-elected and assume office as Audit & Supervisory Board Member, the Company is scheduled to continue their agreements for limitation of liability with them. If Mr. Setsuo Tanaka is elected and assumes office as Audit & Supervisory Board Member, the Company is scheduled to enter into the same agreement as those for Mr. Hideki Kato and Mr. Makoto Yasuda. The maximum amount of the liabilities under this agreement which they incur is equal to the lowest amount of liabilities stipulated in Article 425, Paragraph 1 of the Companies Act.

[English Translation]

[Attached Documents]

Business Report (Fiscal Year Ended March 31, 2019)

I. Outline of the Group's Business

1. The Current Business Development and Results of Operations

During the fiscal year ended March 31, 2019 (“the current fiscal year”), Japanese economy has been in a moderate upward trend as shown in corporate earnings on high level and improvements in employment environment. On the other hand, continual attentions to the effects of uncertainties in overseas economies related to the international trade issues, the trends of the emerging economies in Asia, including China, as well as the U.K. exiting the E.U. (BREXIT), and 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 delivers safety and peace of mind, as well as makes 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 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 the same philosophy. In May 2018, we announced the SECOM Group Road Map 2022, in which we clarified what we should do to achieve our Vision for 2030. During the current fiscal year, we have been actively addressing the two priority issues, technological advances and a declining labor force, in order to realize the Road Map. Responding to the increasing demand for security in a connected society arising from technological advances, we have been pushing forward initiatives utilizing advanced technologies such as drones and robots, proactive entry into the field of cyber security, and value enhancement of our home security service. Regarding the demand for relying on someone, arising from a declining labor force, we have been strengthening capabilities for facility management, building management and supply chain management solutions. Furthermore, we have designated the current and the next fiscal years as an investment phase to establish infrastructure for sustainable growth. We made investments in human resources such as hiring IT specialists and individuals with global business skills, promoting workstyle reforms, and enhancing various training programs to increase employee motivation. As for the investments in systems, we upgraded core systems with functional advancements, improved operational quality and efficiency, and promoted R&D on new products and services.

[English Translation]

As a result, consolidated revenue for the current fiscal year increased by 4.5% to YEN 1,013.8 billion compared with the previous fiscal year. Consolidated operating profit decreased by 3.9% to YEN 130.2 billion, mainly attributable to the effect of the investment targeting creation of a stronger foundation for future sustainable growth. Consolidated ordinary profit increased by 0.4% to YEN 144.8 billion, mainly due to the recognition of net gains on private equity investment in the U.S. etc. of YEN 8.3 billion. Consolidated net income attributable to owners of the parent increased by 5.8% to YEN 92.0 billion. Revenue exceeded YEN 1 trillion and reached a record-high along with net income attributable to owners of the parent.

(Millions of Yen)

	Revenue	Operating profit	Ordinary profit	Net income attributable to owners of the parent
Current fiscal year (FY2018)	1,013,823	130,213	144,889	92,009
Previous fiscal year (FY2017)	970,624	135,448	144,318	86,993

Pasco Corporation, the principal company in the Geographic Information Services, released “Pasco Group’s Medium-Term Management Plan 2018-2022” on May 9, 2018, expressing its aim to become a comprehensive company in geospatial information industry pursuing the business model that capitalizes positional information including various related events. Accordingly, the segment name was changed from Geographic Information Services to Geospatial Information Services from the current fiscal year. Reportable segments are not reclassified by this change.

By business segment, 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.

For our commercial security services, we have made continuous efforts to market high value added on-line security systems, such as those with imaging technology, access control function and facility control function. In April 2018, we launched collaborative initiatives with a major distribution group to realize labor-saving / unmanned management / operation for large-sized facilities, as well as one-stop service for those of small- and medium-sized. Also, in June 2018, we marketed SECOM Supply Chain Security Select, a service designed to support client to obtain a security certification related to supply chain, and in December 2018, we established a support service to acquire the SGS certification for physical prevention of malicious food product contamination by foreign material. We strengthened our proposition in regard to facility

[English Translation]

management, building management and supply chain management solutions. As for the services for large-scale events, we supported to run the events with safety and peace of mind by providing the latest security systems utilizing advanced technologies, such as the AI image recognition system and SECOM Aerostat (overhead venue surveillance). Furthermore, we acquired 80.1% of the outstanding shares of Secom Tosec Co., Ltd. (formerly Toshiba Security Guard Corporation), a provider of static guard services mainly for facilities of the Toshiba Group, in the end of August 2018.

For our residential security services, the demand for services which deliver safety and peace of mind as well as comfort and convenience has been solid. In this circumstance, we have made continuous efforts to market SECOM Home Security NEO, a new flexible system suited to modern lifestyles that can be linked with devices on the IoT etc., facilitating expansion of services. We have expanded optional services which can be connected to SECOM Home Security, such as SECOM My Doctor Watch, an emergency medical alert and health management service centered on a wearable wristband tracker, and SECOM *Anshin* Home Delivery Box, which enables recipients to receive parcels securely at any time. In October 2018, we also began to offer a new type of security service by connecting SECOM Home Security and a communication robot, which allows seamless provision of safety in our customers' everyday life, in response to the growing needs by residential customers for various services that deliver safety and peace of mind. In addition, we launched SECOM My AED in December 2018, Japan's first leased home-use AED (Automated External Defibrillator) combined with on-line service.

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. In February 2019, we expanded our presence into Turkey, the 13th overseas market for our security services, and established SECOM Aktif Guvenlik Yatirim A.S., a joint venture company with the major Turkish financial group.

As a result, revenue increased by 2.3% to YEN 558.3 billion, mainly due to the brisk sales of on-line security systems for commercial and residential use, as well as the increases in revenue in static guard services chiefly owing to the contribution of Secom Tosec Co., Ltd., a newly consolidated subsidiary, and in Asahi Security Co., Ltd., a provider of cash collection and delivery services. Operating profit decreased by 1.3% to YEN 114.1 billion, mainly attributable to the effect of the investment targeting creation of a stronger foundation for future sustainable growth.

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

[English Translation]

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

Despite revenue increased by 2.7% to YEN 140.2 billion, mainly attributable to the active marketing efforts, operating profit decreased by 9.6% to YEN 14.1 billion, chiefly owing to the concentration of projects with high cost ratio compared to the previous fiscal year and the increase in selling, general and administrative expenses.

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 equipment and pharmaceutical products, personal care services, and the leasing of real estate for medical institutions. In the current fiscal year, we started provision of SECOM Vitalook, a remote medical assistance platform, which allows doctors and nurses to remotely monitor home care patients' vital data such as electrocardiogram and blood pressure.

Revenue increased by 1.8% to YEN 72.2 billion, mainly due to the increase in sales of residences for seniors and medical equipment, despite the decrease in revenue affected by the drug price revision. Operating profit decreased by 5.5% to YEN 5.1 billion, chiefly owing to the increase in cost ratio.

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

Revenue increased by 3.6% to YEN 44.8 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 loss was YEN 0.3 billion, from an operating profit of YEN 1.3 billion in the previous fiscal year, chiefly owing to the increase in provision of policy reserve regarding natural disasters, etc.

In the geospatial 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

[English Translation]

agencies, private sectors, and foreign governmental agencies including emerging and developing countries. Pasco Corporation, the principal company in this segment, released “Pasco Group’s Medium-Term Management Plan 2018-2022” in May 2018 and engaged in various measures.

Revenue increased by 1.3% to YEN 51.5 billion, owing to the increase in revenue in domestic division, despite the decrease in revenue in international division. Operating profit increased by 31.8% to YEN 2.7 billion, mainly attributable to the improvement in cost ratio in domestic division and the decrease in selling, general and administrative expenses.

In the BPO and ICT services segment, our distinctive portfolio includes business continuity planning (BCP) 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. In the current fiscal year, in response to the rising demand for cyber security, we established Cryptocurrency Wallet Service, which facilitates safe operation with strict control by holding digital keys entrusted from cryptocurrency exchanges. We also launched SECOM *Anshin* Browser-b, a cyber security package service that offers entrance and exit protections and insurance against the threats of targeted cyber-attacks. In addition, we introduced SECOM Shift Scheduler, an automated shift management service, which is expected to contribute to the improvements in productivity among the restaurant and retail industries.

Revenue increased by 32.1% to YEN 92.1 billion, chiefly owing to the contribution of TMJ, Inc., a consolidated subsidiary from October 2017, and the increase in revenue in data center. Operating profit increased by 12.1% to YEN 8.1 billion.

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

Revenue increased by 1.8% to YEN 54.3 billion, mainly due to the increase in revenue in construction and installation services. Operating profit was down by 12.2% to YEN 4.4 billion, mainly attributable to the increases in cost ratio and in selling, general and administrative expenses.

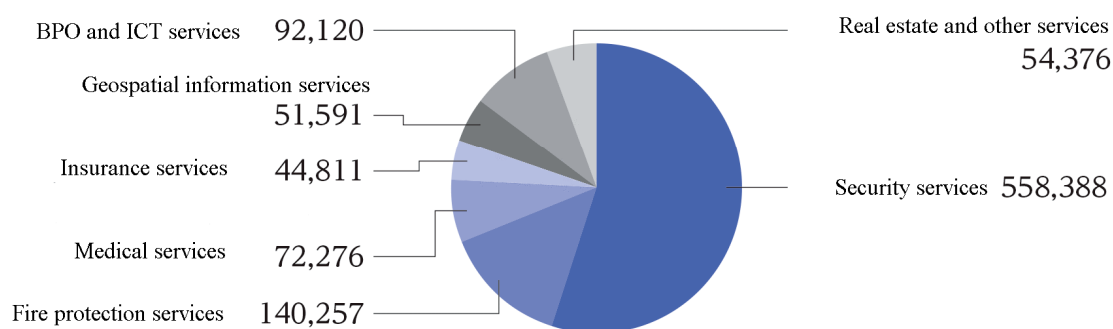
Results by Business Segment (58th Fiscal Year – current fiscal year)

(Millions of Yen)

Business segment	Revenue			Operating profit
	Customers	Intersegment	Total	
Security services	558,388	13,512	571,901	114,183
Fire protection services	140,257	3,942	144,200	14,131
Medical services	72,276	168	72,445	5,129
Insurance services	44,811	3,120	47,931	(377)
Geospatial information services	51,591	385	51,977	2,716
BPO and ICT services	92,120	13,023	105,144	8,130
Real estate and other services	54,376	1,786	56,163	4,445
Total	1,013,823	35,940	1,049,763	148,360
Eliminations and corporate items	-	(35,940)	(35,940)	(18,146)
Consolidated revenue	1,013,823	-	1,013,823	130,213

With respect to the results by geographical segments, in Japan, revenue increased by 4.7% to YEN 965.4 billion. Overseas revenue decreased by 0.4% to YEN 48.3 billion.

Revenue by business segment, excluding intersegment transactions (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 65.8 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 42.6 billion.

(Millions of Yen)

Business segment	Amount
Security services	42,695
Fire protection services	2,173
Medical services	1,759
Insurance services	3,238
Geospatial information services	2,403
BPO and ICT services	8,918
Real estate and other services	4,544
Subtotal	65,733
Eliminations and corporate items	85
Total	65,819

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.

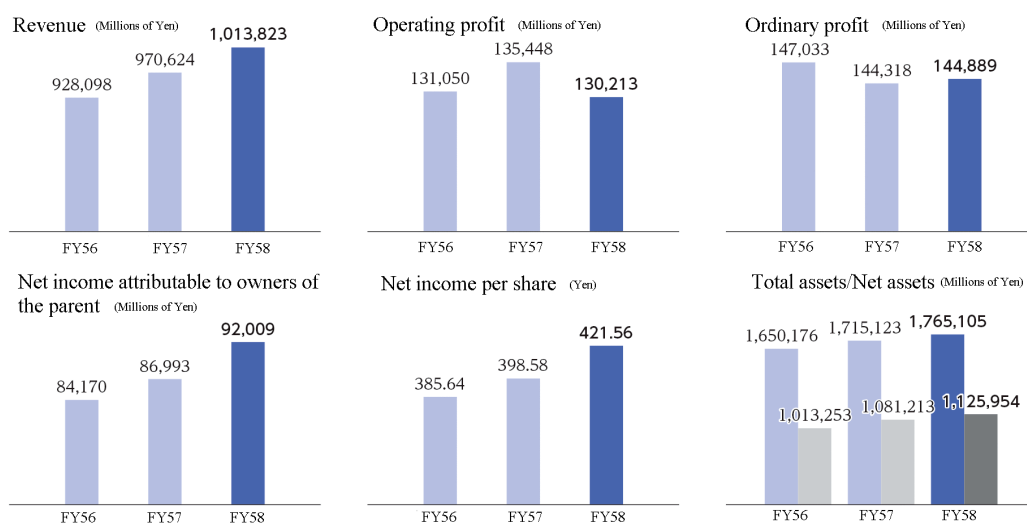
5. Trends in Earnings and Assets of the Group

(Millions of Yen except for net income per share)

Fiscal years Category	55th fiscal year (4/1/2015– 3/31/2016)	56th fiscal year (4/1/2016– 3/31/2017)	57th fiscal year (4/1/2017– 3/31/2018)	58th fiscal year (current fiscal year) (4/1/2018– 3/31/2019)
Revenue	881,028	928,098	970,624	1,013,823
Operating profit	128,582	131,050	135,448	130,213
Ordinary profit	134,826	147,033	144,318	144,889
Net income attributable to owners of the parent	77,039	84,170	86,993	92,009
Net income per share (Yen)	352.97	385.64	398.58	421.56
Return on Equity	9.4%	9.8%	9.4%	9.4%
Total assets	1,568,052	1,650,176	1,715,123	1,765,105
Net assets	943,144	1,013,253	1,081,213	1,125,954

(Note)

From the beginning of the current fiscal year, we have applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28, February 16, 2018). Total assets shown for the 57th fiscal year are after retroactive application of this Standard.



[English Translation]

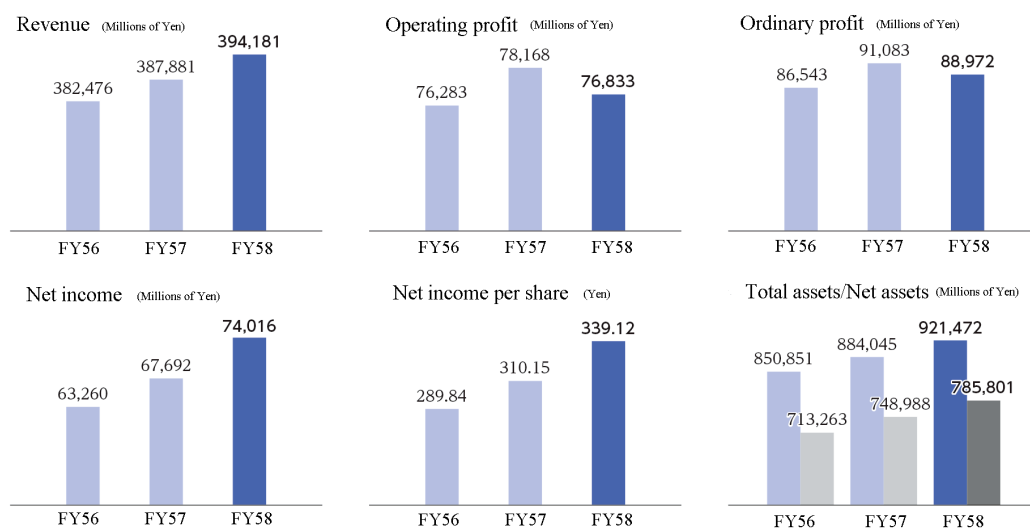
6. Trends in Earnings and Assets of the Company

(Millions of Yen except for net income per share)

Fiscal years Category	55th fiscal year (4/1/2015– 3/31/2016)	56th fiscal year (4/1/2016– 3/31/2017)	57th fiscal year (4/1/2017– 3/31/2018)	58th fiscal year (current fiscal year) (4/1/2018– 3/31/2019)
Revenue	376,044	382,476	387,881	394,181
Operating profit	75,664	76,283	78,168	76,833
Ordinary profit	86,612	86,543	91,083	88,972
Net income	58,442	63,260	67,692	74,016
Net income per share (Yen)	267.76	289.84	310.15	399.12
Return on Equity	8.8%	9.1%	9.3%	9.6%
Total assets	826,124	850,851	884,045	921,472
Net assets	678,355	713,263	748,988	785,801

(Note)

From the beginning of the current fiscal year, we have applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28, February 16, 2018). Total assets shown for the 57th fiscal year are after retroactive application of this Standard.



[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 (54.44)	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 (72.20)	Surveying, measuring and geospatial 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	(%) 99.99 (100.00)	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, 178 consolidated subsidiaries and 16 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; Geospatial 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, 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-

[English Translation]

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
56,923	2,275

(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
15,986	309	42.8	16.3

(Note)

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

11. Principal Lenders

(Millions of Yen)

Lenders	Balance
MUFG Bank, Ltd.	13,724
Mizuho Bank, Ltd.	9,258
Sumitomo Mitsui Banking Corp.	5,356

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:** 233,292,219
(including 15,031,867 shares of treasury stock held by the Company)
3. **Number of Shareholders at the End of the Fiscal Year:** 24,023
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)	31,453	14.41
Japan Trustee Services Bank, Ltd. (Trust Account)	15,606	7.15
JP MORGAN CHASE BANK 380055	9,553	4.37
STATE STREET BANK AND TRUST COMPANY 505223	5,265	2.41
Makoto Iida	4,241	1.94
STATE STREET BANK WEST CLIENT-TREATY 505234	4,196	1.92
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)	3,979	1.82
Trust & Custody Services Bank, Ltd. (Investment Trust Account)	3,632	1.66

(Note)

Although the Company holds treasury stock of 15,031,867 shares, it is not included in the table above. The percentage of ownership is calculated on the basis of the total number of shares outstanding excluding treasury stock. The percentage of ownership is truncated to two decimal places.

III. Directors and Audit & Supervisory Board Members

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

(As of March 31, 2019)

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	Ichiro Ozeki	Executive Officer (head of operation 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 (in charge of BPO and ICT businesses)
Director	Tatsushi Kurihara	Executive Officer (head of general affairs division and head of human resource division)
Director	Takaharu Hirose	Chairman and Representative Director of Monitas, Inc.
Director	Hirobumi Kawano	Outside Audit & Supervisory Board Member, San-Ai Oil Co., Ltd.
Director	Hajime Watanabe	President and Representative Director of Watanabe Pipe Co., Ltd.

[English Translation]

Position	Name	Field of responsibility and important position of other organization concurrently assumed
Audit & Supervisory Board Member	Takayuki Ito	Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member	Koji Kato	Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member	Hideki Kato	Outside Director of SMBC Nikko Securities Inc.
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 long-term experience 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, Hirobumi Kawano 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) Audit & Supervisory Board Member, Mr. Ryohei Komatsu resigned from Audit & Supervisory Board Member at the close of the 57th Ordinary General Meeting of the Shareholders held on June 26, 2018.
 - 2) Mr. Koji Kato was elected as Audit & Supervisory Board Member at the 57th Ordinary General Meeting of Shareholders held on June 26, 2018 and assumed the office.
 - 3) Mr. Junzo Nakayama vacated the office of Executive Director when he passed away on October 29, 2018. He was Executive Officer (head of Finance Division) at the time of his passing.

[English Translation]

〈Reference〉

Executive Officers who are not Directors are as follows:

(As of May 1, 2019)

Title	Name
Managing Executive Officer	Kenichi Furukawa, Masahiro Takeda, 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, Michiyoshi Morita, Makoto Inaba

(Notes)

1. Messrs. Teruhisa Yoshimura and Hideo Morishita resigned from Managing Executive Officer on May 31, 2018.
2. Messrs. Michiyoshi Morita and Makoto Inaba were appointed to Executive Officer as of June 1, 2018.

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)	327	265	-	46	14	8
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	45	45	-	-	-	3
Outside Directors	28	28	-	-	-	3
Outside Audit & Supervisory Board Members	25	25	-	-	-	3
Total	426	365	-	46	14	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.

[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 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)	13 (out of 13)	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience in the execution of national policies and insight gained through many accomplishments at a policy think tank. He also asked questions and stated opinions in order to clarify unclear issues.
Outside Audit & Supervisory Board Member	Makoto Yasuda	12 (out of 12)	13 (out of 13)	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience and insight gained through serving as a management of global enterprise. He also asked questions and stated opinions in order to clarify unclear issues.
Outside Audit & Supervisory Board Member	Masao Yokomizo	12 (out of 12)	13 (out of 13)	He offered advice and suggestions at the meetings of the Board of Directors by making use of his experience and insight gained through the important positions in government. He also asked questions and stated opinions in order to clarify unclear issues.

[English Translation]

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	32	211	28
Consolidated Subsidiaries	390	27	381	42
Total	616	60	592	71

(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 make decision on appointment of a

[English Translation]

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 4, 2019.)

(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

[English Translation]

compliance management system is as follows:

- (i) From the start, compliance with laws and regulations and the Articles of Incorporation has been an indispensable requirement of our business, and we have always sought to operate in strict adherence to this spirit. Therefore, compliance is a part of the Company's daily routines, which should not require a system in which a specific section or manager is responsible for implementation. Each and every employee is at the front line of promoting the code of conduct, including legal compliance. The implementation of guidelines is carried out by the line managers of the organization. Further control is provided by the Executive Officers in charge of departments under their control, with the President and Representative Director providing companywide control.
- (ii) The Executive Officers in charge of each area are responsible for having thorough knowledge particularly of regulations related to their duties and the relationships of such regulations with their own operations. They are responsible for proposing responses to any revisions of laws to the President and Representative Director. The Legal Affairs Department and other relevant departments and sections support them, providing cross-organization coordination.
- (iii) Following the orders of the President and Representative Director, the Audit and Compliance Department provides cross-organizational inspection in a timely manner over the execution of duties, indicating how to improve morale through the observance of laws and regulations and the Company's rules and at the same time pointing out matters that need correction. The Audit and Compliance Department will promptly report the findings of the inspection to the President and Representative Director.
- (iv) When executives and employees of the Company become aware of unethical actions, they have the obligation to report such actions to the proper superior without hesitation. A "Hot Helpline" is established to facilitate direct contact with the Audit and Compliance Department if corrective actions are not taken even after reporting to superiors or it is difficult to report. Pursuant to the "Basic Policy of the SECOM Group for Compliance," the Company will keep the reported matters confidential, and promptly take necessary investigation and appropriate measures. The reporter will suffer no disadvantage on the grounds of such report.
- (v) The Company establishes a standing Organizational Culture Committee, chaired by the President and Representative Director. The Organizational Culture Committee examines important organizational culture-related issues (including compliance-related matters), which are the cornerstone of developing and maintaining the corporate organization, and determines important official commendations and punishments.
- (vi) Revisions of the *SECOM Group Code of Employee Conduct* and/or

[English Translation]

critical compliance-related matters are undertaken after discussion with the Organizational Culture Committee and subject to the approval of the Board of Directors after obtaining the opinions of the Audit & Supervisory Board Members.

(vii) Basic plans and policies concerning internal controls related to financial reporting are determined and evaluated in accordance with the standards of the Business Accounting Council.

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

Information regarding the execution of duties of Directors (minutes of the Meetings of the Board of Directors and decision-making documents), etc. shall be properly maintained, administered (including destruction) pursuant to the 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) In order to grasp company wide risks and consider necessary measures, a Risk Committee, which is chaired by the Director responsible for risk management, shall be convened and report as necessary to the President and Representative Director.

(iv) 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, calumination, 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.

[English Translation]

- (iii) The Company develops the IT system for dissemination of notices, etc., and decision making by managerial decision requests, and maintains the system for swiftly enabling full introduction and implementation.
 - (iv) The Company will share the medium and long-term business vision, and for the purpose of the accomplishment thereof, the Board of Directors will design an annual business plan and deliberate the progress of the plan.
- (6) System under which the group of enterprises consisting of the Company and subsidiaries is ensured to properly execute its business
- (6-1) System under which the execution of duties by Directors, etc. and employees of subsidiaries is ensured to comply with laws and regulations and the Articles of Incorporation
- (i) Abiding by the “Constitution of SECOM’s Business and Operation,” each of the subsidiaries shares the *SECOM Group Code of Employee Conduct*, which applies to all executives and employees. United by these guidelines, the executives and employees work to accomplish the corporate goals in an appropriate manner.
 - (ii) Each of the subsidiaries carries out IT controls in conformance with the “Basic Policy of the SECOM Group for Information Security.” The Company’s IT Executive Officers conduct timely inspections covering the IT management of major subsidiaries.
 - (iii) The “SECOM Group Management Committee,” which is chaired by the Company’s President and Representative Director and whose members are composed of the presidents of major subsidiaries and other parties appointed by the chairperson, works to ensure that appropriate operations are carried out. It accomplishes this goal by conducting discussions of issues related to the Group’s internal controls in an effort to share Group information and operating philosophy. Where necessary, the President and Representative Director reports the results to the Board of Directors and the Audit & Supervisory Board.
 - (iv) The President and Representative Director of the Company issues orders to the internal audit departments (Audit and Compliance Department and Group Governance Department) to inspect subsidiaries, if necessary. The subsidiaries accept the inspection by the Company, and at the same time promote the understanding and improvement of compliance-related issues by exchanging information with the Company. Furthermore, the Company establishes the whistleblowing 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

[English Translation]

grounds of such report.

(v) The Audit & Supervisory Board Members of the Company visit major subsidiaries and conduct audits regarding internal controls.

(vi) The Company establishes a liaison meeting with Group Audit & Supervisory Board Members after discussion with its Audit & Supervisory Board in an attempt to share information.

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

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

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

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

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

(i) All Directors of the subsidiaries will efficiently carry out the operation and execution of business on the basis of the “Constitution of SECOM’s Business and Operation.”

(ii) The Company and the subsidiaries will formulate the business plans for the next year based on the business vision by the entire SECOM Group, and confirm the progress of the plans.

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

(i) The Company establishes the system to assist audit duties, by establishing the Office of Audit & Supervisory Board manned by at least two employees who are fully familiarized with the exclusive duties and internal situations.

(ii) The assistants for the Audit & Supervisory Board Members may conduct investigations necessary for the audit by the Audit & Supervisory Board Members, following the instructions of the Audit & Supervisory Board Members.

[English Translation]

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

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

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

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

- (i) Upon discussion with the Audit & Supervisory Board, the following matters shall be considered as the matters to be reported by Directors to the Audit & Supervisory Board Members.
- (1) matters resolved by the Organization Culture Committee and other committees;
 - (2) matters likely to be materially harming the Company;
 - (3) important matters relating to monthly business conditions;
 - (4) important matters relating to internal audit and risk management;
 - (5) material violation of laws and regulations or the Articles of Incorporation; and
 - (6) important matters from viewpoint of compliance.
- (ii) Notwithstanding (i) above, the Audit & Supervisory Board Members may, where necessary and in a timely manner, request that Directors and employees make a report.
- (iii) The matters reported to the “Hot 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

Pursuant to the “Basic Policy of the SECOM Group for Compliance,”

[English Translation]

the Company will keep the reported matters confidential, and promptly take necessary investigation and appropriate measures, while the reporter will suffer no disadvantage on the grounds of such report.

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

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

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

2. Outline of Status of Operation of Internal Control System

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

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

The Company promotes to instill awareness of the importance of compliance with the *SECOM Group Code of Employee Conduct*, which sets behavioral standards for the execution of duties, including compliance with laws, regulations, and the Articles of Incorporation in day-to-day business operations. In addition, all training curriculum contains training related to the philosophy of SECOM, and the Company is also making efforts to instill and entrench the philosophy of SECOM through “Tri-ion” initiative and 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

[English Translation]

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. Furthermore, a Risk Committee, which is chaired by the Director responsible for risk management, has been newly established. The Risk Committee grasps company wide risk and considers necessary measures.

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

The Board of Directors of the Company consists of 10 Directors including 3 outside Directors. As a general rule, a meeting of the Board of Directors is held once a month with the attendance of Directors as well as 5 Audit & Supervisory Board Members including 3 outside Audit & Supervisory Board Members. At a meeting of the Board of Directors, important management matters are deliberated and the status of execution of duties by Directors is reported, based on the business vision of the Company, and the Board of Directors strives for accurate and prompt decision-making. 29 Executive Officers including 6 Directors are making efforts to make decisions and to execute their duties in a more expeditious manner. (The above officer structure is as of March 31, 2019.)

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

Directors of the Company and its subsidiaries are promoting proper operation based on the “Constitution of SECOM’s Business and Operation” as their basic philosophy. The President and Representative Director of the Company convened a meeting of the “SECOM Group Management Committee” quarterly to share the Group information and

[English Translation]

operating philosophy and to ensure the appropriate operations of each company. To enhance subsidiaries' corporate governance, Audit & Supervisory Board Members visited and interviewed subsidiaries (total of 47 times). Furthermore, to reinforce cooperation, 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"

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

[English Translation]

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 eleven 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, 2019)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets:	846,759	Current liabilities:	369,458
Cash on hand and in banks	350,319	Notes and accounts payable, trade	45,826
Cash deposits for armored car services	142,335	Bank loans	39,126
Notes and accounts receivable, trade	133,659	Current portion of straight bonds	2,009
Due from subscribers	41,616	Lease obligations	4,875
Short-term investments	25,382	Payables – other	42,645
Lease receivables and investment in leased assets	41,826	Accrued income taxes	22,767
Merchandise and products	14,146	Accrued consumption taxes	7,209
Real estate inventories	5,864	Accrued expenses	7,329
Work in process	5,872	Deposits received for armored car services	121,086
Costs on uncompleted construction contracts	10,971	Deferred revenue	30,438
Work in process for real estate inventories	30,743	Accrued bonuses	17,255
Raw materials and supplies	10,398	Provision for losses on construction contracts	2,913
Short-term loans receivable	4,398	Other	25,975
Other	31,000		
Allowance for doubtful accounts	(1,775)		
Fixed assets:	918,346	Long-term liabilities:	269,691
Tangible assets:	378,401	Straight bonds	4,702
Buildings and improvements, net	148,693	Long-term loans	10,063
Machinery and equipment and automobiles	9,726	Lease obligations	11,960
Security equipment and control stations, net	71,715	Guarantee deposits received	32,955
Tools, furniture and fixtures	24,623	Deferred income taxes	8,735
Land	116,876	Accrued retirement benefits for directors and audit & supervisory board members	1,046
Construction in progress	6,765	Net defined benefit liability	22,953
		Investment deposits by policyholders, unearned premiums and other insurance liabilities	172,866
Intangible assets:	128,215	Other	4,406
Software	21,989		
Goodwill	74,194		
Other	32,031		
Investments and others:	411,728		
Investment securities	269,575		
Long-term loans receivable	35,284		
Lease deposits	14,188		
Long-term prepaid expenses	24,807		
Net defined benefit asset	38,488		
Deferred income taxes	27,469		
Other	14,956		
Allowance for doubtful accounts	(13,042)		
		Total liabilities	639,150
		<u>NET ASSETS</u>	
		Shareholders' equity:	981,846
		Common stock	66,392
		Capital surplus	80,360
		Retained earnings	908,852
		Common stock in treasury, at cost	(73,759)
		Accumulated other comprehensive income (losses):	13,873
		Unrealized gains on securities	18,157
		Deferred losses on hedges	(21)
		Foreign currency translation adjustments	(10,683)
		Remeasurements of defined benefit plans, net of taxes	6,421
		Noncontrolling interests:	130,234
		Total net assets	1,125,954
TOTAL ASSETS	1,765,105	TOTAL LIABILITIES AND NET ASSETS	1,765,105

[English Translation]

Consolidated Statement of Income

(Fiscal Year from April 1, 2018 to March 31, 2019)

(Millions of Yen)

ITEM	AMOUNT	
Revenue		1,013,823
Costs of revenue	692,211	
Gross profit		321,611
Selling, general and administrative expenses	191,397	
Operating profit		130,213
Non-operating income:		
Interest income	1,190	
Dividends income	794	
Gain on sales of investment securities	895	
Net gains from investment in affiliated companies accounted for under the equity method	6,699	
Gain on private equity investments	8,372	
Other	1,695	19,646
Non-operating expenses:		
Interest expenses	788	
Loss on sales of investment securities	43	
Loss on sales and disposal of fixed assets	2,153	
Write-off of long-term prepaid expenses	583	
Foreign exchange loss, net	169	
Provision of allowance for doubtful accounts	296	
Other	935	4,970
Ordinary profit		144,889
Extraordinary profit:		
Gain on sales of fixed assets	1,317	
Gain on sales of investment securities	398	
Other	193	1,909
Extraordinary losses:		
Impairment losses on fixed assets	594	
Net losses on disposal of fixed assets	545	
Loss on revaluation of investment securities	416	
Allowance for price fluctuation	194	
Other	1,086	2,838
Income before income taxes		143,960
Income taxes- current	47,001	
Income taxes - deferred	(7,808)	39,193
Net income		104,766
Net income attributable to noncontrolling interests		12,757
Net income attributable to owners of the parent		92,009

[English Translation]

Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2018 to March 31, 2019)

(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	66,385	80,328	851,764	(73,748)	924,729
Changes during the fiscal year:					
Issuance of new stocks	7	7			14
Cash dividends			(34,921)		(34,921)
Net income attributable to owners of the parent			92,009		92,009
Purchase of treasury stock				(10)	(10)
Disposal of treasury stock					-
Changes in shares of parent arising from transactions with non-controlling interest		35			35
Changes due to changes in accounting standards of overseas consolidated subsidiaries		(9)			(9)
Changes in the scope of application of the equity method					-
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	7	32	57,087	(10)	57,117
Balance at the end of the fiscal year	66,392	80,360	908,852	(73,759)	981,846

[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	23,759	(24)	(5,774)	9,933	27,894	128,589	1,081,213
Changes during the fiscal year:							
Issuance of new stocks							14
Cash dividends							(34,921)
Net income attributable to owners of the parent							92,009
Purchase of treasury stock							(10)
Disposal of treasury stock							-
Changes in shares of parent arising from transactions with non-controlling interests							35
Changes due to changes in accounting standards of overseas consolidated subsidiaries							(9)
Changes in the scope of application of the equity method							-
Net changes of items other than shareholders' equity	(5,601)	2	(4,909)	(3,511)	(14,020)	1,644	(12,376)
Total changes during the fiscal year	(5,601)	2	(4,909)	(3,511)	(14,020)	1,644	44,741
Balance at the end of the fiscal year	18,157	(21)	(10,683)	6,421	13,873	130,234	1,125,954

[English Translation]

Non-Consolidated Balance Sheet

(As of March 31, 2019)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets:	246,218	Current liabilities:	113,104
Cash on hand and in banks	120,815	Accounts payable	3,820
Cash deposits for armored car services	39,504	Bank loans	21,211
Notes receivable	723	Lease obligations	309
Due from subscribers	17,931	Payables – other	19,769
Accounts receivable, trade	11,516	Payables – construction	5,437
Receivables – other	4,714	Accrued income taxes	11,210
Merchandise	7,047	Accrued consumption taxes	3,221
Supplies	1,686	Accrued expenses	747
Prepaid expenses	2,599	Deposits received for armored car services	18,348
Short-term loans receivable	35,250	Deferred revenue	19,949
Other	4,530	Accrued bonuses	6,488
Allowance for doubtful accounts	(101)	Other	2,590
Fixed assets:	675,254	Long-term liabilities:	22,566
Tangible assets:	118,025	Lease obligations	3,971
Buildings and improvements	16,263	Guarantee deposits received	16,462
Automobiles	501	Accrued pension and severance costs	1,788
Security equipment and control stations	69,049	Other	343
Machinery and equipment	143		
Tools, furniture and fixtures	3,566	Total liabilities	135,670
Land	21,952		
Construction in progress	4,721	<u>NET ASSETS</u>	
Other	1,827	Shareholders' equity:	780,679
Intangible assets:	9,480	Common stock	66,392
Software	8,560	Capital surplus:	83,069
Other	920	Additional paid-in capital	83,069
Investments and others:	547,748	Other capital surplus	0
Investment securities	21,982	Retained earnings:	704,976
Investment securities in subsidiaries and affiliated companies	353,375	Legal reserve	9,028
Investments in subsidiaries and affiliated companies	2,149	Other retained earnings	695,947
Long-term loans receivable	113,221	Reserve for system developments	800
Lease deposits	7,578	General reserve	2,212
Long-term prepaid expenses	20,461	Accumulated earnings carried forward	692,935
Prepaid pension and severance costs	21,410	Common stock in treasury, at cost	(73,759)
Deferred income taxes	5,442	Valuation, translation adjustments and others:	5,122
Insurance funds	4,109	Unrealized gains on securities	5,122
Other	2,458		
Allowance for doubtful accounts	(4,442)	Total net assets	785,801
		TOTAL LIABILITIES AND NET ASSETS	921,472
TOTAL ASSETS	921,472		

[English Translation]

Non-Consolidated Statement of Income
(Fiscal Year from April 1, 2018 to March 31, 2019)

(Millions of Yen)

ITEM	AMOUNT	
Revenue		394,181
Costs of revenue	234,046	
Gross profit		160,134
Selling, general and administrative expenses	83,301	
Operating profit		76,833
Non-operating income:		
Interest income	1,279	
Dividends income	13,186	
Other	540	
		15,006
Non-operating expenses:		
Interest expenses	189	
Loss on sales and disposal of fixed assets	1,907	
Write-off of long-term prepaid expenses	459	
Other	310	
		2,866
Ordinary profit		88,972
Extraordinary profit:		
Gain on sales of investment securities	86	
Other	0	
		87
Extraordinary losses:		
Loss on sale of tangible assets	63	
Loss on revaluation of investment securities in subsidiaries and affiliated companies	54	
Loss on revaluation of investment securities	42	
Allowance for doubtful accounts	25	
Other	18	
		203
Income before income taxes		88,855
Income taxes - current	23,180	
Income taxes - deferred	(8,341)	
Net income		74,016

[English Translation]

Non-Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2018 to March 31, 2019)

(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	66,385	83,061	0	83,062
Changes during the fiscal year:				
Issuance of new stocks	7	7		7
Cash dividends				
Net income				
Purchase of treasury stock				
Net changes of items other than shareholders' equity				
Total changes during the fiscal year	7	7	-	7
Balance at the end of the fiscal year	66,392	83,069	0	83,069

(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	653,840	665,881
Changes during the fiscal year:					
Issuance of new stocks					
Cash dividends				(34,921)	(34,921)
Net income				74,016	74,016
Purchase of treasury stock					
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	-	-	-	39,094	39,094
Balance at the end of the fiscal year	9,028	800	2,212	692,935	704,976

[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	(73,748)	741,579	7,408	7,408	748,988
Changes during the fiscal year:					
Issuance of new stocks		14			14
Cash dividends		(34,921)			(34,921)
Net income		74,016			74,016
Purchase of treasury stock	(10)	(10)			(10)
Net changes of items other than shareholders' equity			(2,285)	(2,285)	(2,285)
Total changes during the fiscal year	(10)	39,099	(2,285)	(2,285)	36,813
Balance at the end of the fiscal year	(73,759)	780,679	5,122	5,122	785,801

[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 23, 2019

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

Shuji Ezawa (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, 2019 and for the year from April 1, 2018 to March 31, 2019 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

[English Translation]

standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, 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 23, 2019

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

Shuji Ezawa (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, 2019 and for the 58th business year from April 1, 2018 to March 31, 2019 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

[English Translation]

reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgment, 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

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

May 23, 2019

Audit & Supervisory Board of
SECOM Co., Ltd.

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

Koji Kato (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 58th business term from April 1, 2018 through March 31, 2019 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

- (1) 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.

[English Translation]

- (2) Each of the Audit & Supervisory Board Members, in accordance with the Audit & Supervisory Board audit standards determined by the Audit & Supervisory Board, and following the audit policy, audit plan, etc. worked to communicate with Directors, the internal audit division and other employees, etc., and along with making efforts to gather information and establish the audit environment, performed the audit using the following methods.
- (i) Each Audit & Supervisory Board Member attended the meetings of the Board of Directors and other important meetings, received reports from the Directors and other managers, etc. on their duties, requested explanations when necessary, inspected documents concerning matters such as important decisions, and investigated the conditions of the business and financial conditions at the head office and the principal offices. Also, each Audit & Supervisory Board Members worked to communicate and exchange information with Directors and Audit & Supervisory Board Members of subsidiaries, receiving reports from subsidiaries when necessary.
 - (ii) The Audit & Supervisory Board Members, on a regular basis, received reports from Directors and employees, etc. 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.
 - (iii) The Audit & Supervisory Board Members 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 explanations as necessary.
 - (iv) In addition to monitoring and examining whether the Accounting Auditor maintained independence and performed auditing appropriately, the Audit & Supervisory Board Members received reports from the Accounting Auditor on the execution of their duties and requested explanations when necessary. The Audit & Supervisory Board 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, the Audit & Supervisory Board has considered the Business Report and its supplementary schedules, the financial statements (balance sheet, statement of income, statement of changes in net assets and related notes) and its 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