

A Message to Shareholders

By keeping abreast of evolving social imperatives in Japan, we will continue working to respond promptly to the increasingly diverse needs of our customers by creating distinctively SECOM services and systems that deliver security and peace of mind.



Makoto Iida
Founder

Consolidated Operating Results

Despite a brief pause due to the persistent strength of the yen and the impact of deflation, Japan's economic recovery rallied in the second half of the year ended March 31, 2013, as a downward yen correction and expectations of an improvement in the business environment pushed up share prices and consumer spending remained firm.

In this environment, we continued working toward the realization of our vision for the future—the Social System Industry—by responding to the needs of customers through the provision of high-grade services and systems in our security services segment, as well as in our other segments: fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services. We also pressed forward with efforts to apply the ALL SECOM concept, which emphasizes cooperation among our various independent businesses to strengthen the Group as a whole, with a view to hastening our advance to a new stage of growth.

Consolidated net sales and operating revenue rose 11.6%, or ¥89.4 billion, to ¥861.9 billion. This result was due primarily to contributions of two newly acquired subsidiaries in Japan—Nittan Co., Ltd., a major domestic provider of fire protection services, and At Tokyo Corporation, a leading data center services firm, which were consolidated April 1, 2012, and October 31, 2012, respectively. This result also reflected higher net sales and operating revenue in the security services segment, a consequence of increases in revenue from subscriptions for our core electronic security services and in sales of merchandise. Other factors included increases in net sales and operating revenue in the real estate development and sales segment. Operating income grew 43.1%, or ¥33.9 billion, to ¥112.8 billion, as the advance in net sales and operating revenue exceeded increases in cost of sales and selling, general and administrative expenses and write-down on real estate inventories and impairment loss on long-lived assets declined. Net income attributable to SECOM CO., LTD. climbed 71.2%, or ¥29.3 billion, to ¥70.6 billion, owing mainly to the operating income gain.

Distribution of Dividends

Recognizing the provision of a fair return to shareholders as a crucial management task, we determine our consolidated dividend payout ratio based on an overall assessment of trends in our consolidated operating performance, in line with our policy of ensuring a consistent, stable distribution of profits. At the Ordinary General Meeting of Shareholders, held on June 25, 2013, management proposed and shareholders approved the payment of annual cash dividends of ¥105.00 per share for the year ended March 31, 2013, up ¥15.00 from the previous fiscal year.

Understanding and Responding to Change

Increasingly diverse and sophisticated needs for security and peace of mind are expected to continue driving growth in the security services market. Another factor influencing the market is the

broader acceptance of convenient, easy-to-use services that are in tune with customer lifestyles. We continue to focus on providing service systems that reflect evolving social imperatives, changing patterns of criminal behavior and technical innovation. Drawing on our proprietary technological capabilities and know-how in system operation, we endeavor to swiftly identify needs and to respond by developing new and modifying existing service systems, thus maximizing our ability to contribute to society by delivering security and peace of mind.

In the security services business, we continued to cultivate new subscribers and to reinforce our finely tailored services to current subscribers, thus enabling us to accurately interpret needs and propose the most appropriate systems from our extensive lineup. In the area of commercial security services, we expanded sales of SECOM AX, a remote imaging on-line security system for commercial facilities that features advanced image recognition technologies. We also enhanced high-value-added on-line security systems such as SECOM LX, which features an access control function that helps to improve business efficiency and reduce labor and other costs, and SECOM FX, a facility control system that reduces consumption of electric power, both of which coincide with subscriber needs. In home security systems, we sought to bolster sales of SECOM Home Security G-Custom, a residential on-line security system launched in fiscal 2011, by adding functions, including My Page, a customized information page that introduces services from selected collaborating companies, to further increase convenience.

Overseas, we continued working to encourage broad acceptance of SECOM-style security services, focusing on the rapidly growing economies of the People's Republic of China (PRC) and Southeast Asia. "SECOM-style security services" is a term used to describe comprehensive security services that encompass the installation of security equipment at the subscriber's premises, around-the-clock monitoring from a SECOM control center and the prompt dispatch of highly trained emergency response personnel should an irregularity be detected.

Guided by our Social System Industry vision, we also implemented a number of strategic measures in businesses other than security services. Our fire protection services business currently centers on subsidiary Nohmi Bosai Ltd., Japan's leading provider of such services. In April 2012, we acquired Nittan, Japan's third-largest fire protection services provider. During the period, the two companies leveraged their respective business foundations and product development capabilities to provide high-grade automatic fire alarm systems, fire extinguishing equipment and other fire protection systems, as well as to secure orders for, among others, fire protection systems for large-scale building renovation projects and tunnels.

In the medical services business, we pushed ahead with efforts to expand our various services, which focus on Home Medical Services—comprising home nursing and pharmaceutical dispensing services—and also include the operation of residences for seniors, a remote image diagnosis support service, sales of medical equipment, nursing care services and support for associated hospitals. We are enhancing our services for seniors to accommodate the changing needs of Japan's super-aged society. In the period under review, we established a rental-based assisted



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living facility for seniors, as well as opened Alive Setagaya Daita, a nursing home that incorporates the concept of community disaster preparedness.

Efforts in our insurance services business yielded firm sales of our distinctive non-life insurance policies. These include the Security Discount Fire Policy, a fire insurance policy for commercial premises, and SECOM *Anshin* My Home, a comprehensive fire insurance policy for homes, both of which offer discounts for subscribers with on-line security systems, recognizing the risk-mitigating nature of such systems. We also expanded marketing of SECOM *Anshin* My Car, a comprehensive automobile insurance policy that includes access to on-site support services provided by our emergency response personnel, and MEDCOM, an unrestricted cancer treatment policy that extends coverage to all treatment costs.

In the area of geographic information services, we reported steady sales related to geospatial information services, which make use of high-precision measuring devices and technologies, to customers in the public and private sectors in Japan and in overseas markets. We also promoted solutions in such diverse areas as map preparation, environmental monitoring, disaster preparedness and national resilience, collecting and processing high-resolution data from satellites and other sources, which we then combined with other critical information.

Our real estate development and sales business continued to emphasize the development and sale of condominiums with sophisticated security and contingency planning features.

In the information and communication related and other services business, we continued to provide a variety of uniquely SECOM services, focusing on data center services as well as business continuity support services, information security services and cloud-based services. In October 2012, we acquired a majority interest in At Tokyo, one of Japan's leading data center services firms in terms of stability of power supply and security level, among others, thereby strengthening the foundation of our information and communication related services business.

Accelerating Growth

By keeping abreast of evolving social imperatives, we will continue working to respond promptly to the increasingly diverse needs of our customers by creating distinctively SECOM services and systems that deliver security and peace of mind.

Given the ever more cunning and brutal nature of crimes today, as well as the increasing speed with which they are committed, demand for high-grade security services is on the rise. We will work tirelessly to expand our services. At the same time, we will promote ongoing efforts to accumulate further operational expertise, thereby ensuring our ability to continue providing security services of the highest quality and to effectively accommodate the needs of all our customers. In line with our ultimate goal of helping to free society of crime, we will also pursue R&D aimed at realizing pioneering systems and services for the near future. One example of such a system that is close to commercialization is a small flying surveillance robot for private-sector use.

Japan's super-aged society will be another important theme guiding our domestic business development efforts in the years ahead. One result of current demographic trends is an increase in seniors living alone or with spouses who are similar in age. Another is concern about access to medical and nursing care in old age. In response to needs engendered by these trends, we are capitalizing on our solid base of experience in operating residences for seniors; extending home medical and preventative health care services; assisting associated hospitals; offering lifestyle support services and providing insurance. In addition to expanding business ties with major nursing

care services providers, in April 2013 we launched an emergency medical alert system for seniors, SECOM My Doctor Plus. Other services designed to protect the well-being of seniors include the Keeping in Touch call and Keeping in Touch visiting services, both of which are offered as options to SECOM Home Security subscribers. We will continue to place a high priority on developing services that anticipate and respond to the needs of a graying society.

The lessons of the Great East Japan Earthquake, which struck northeastern Japan on March 11, 2011, have fundamentally altered the Japanese people's attitude toward disasters, heightening awareness of the importance of disaster preparedness. With the goal of expanding the scope of our fire protection services business to encompass protection against all types of major disasters, we will advance collaboration between subsidiaries Nohmi Bosai and Nittan—the leading and third-largest fire protection services firms in Japan—to facilitate the creation of next-generation disaster protection systems.

With the sustainability of our planet an issue of grave concern at all levels of society, awareness is growing of the responsibility both companies and individuals bear in helping to preserve the environment. With this in mind, we recently introduced a home energy management system (HEMS) as an option available to subscribers of SECOM Home Security G-Custom, helping homes to better monitor power use.

Our data center capabilities, which enable us to collect and manage all types of service data, are essential to our ability to successfully market new systems and services. The acquisition of At Tokyo was a crucial step, but the new services and systems we intend to offer will necessitate securing significantly greater data center capacity. Accordingly, we plan to open two new Secure Data Center facilities boasting the highest level of data center security available in Japan, as well as robust construction. The first, in Osaka, will begin operating in July 2013, while the second, in Tokyo, is scheduled to start up in November 2013. This will transform our data center facilities into comprehensive "service centers" that not only respond to the needs of corporate customers for server housing and data backup services that guarantee security even in the event of a major disaster, but also serve as a foundation for the provision of a broad array of distinctively SECOM services.

By providing services that make life more convenient and comfortable and deliver security and peace of mind, we have traditionally sought to encourage people to turn to SECOM with the confidence that doing so would help them resolve security and other concerns. Going forward, our focus will be on making SECOM an ever-present and trusted part of our customers' lives. As always, we must earn the trust of our customers by providing indispensable services that respond to their expectations. In the words of our corporate message—"Providing reliable peace of mind"—we pledge to work as one to realize our Social System Industry vision and advance to the next stage of growth. In all of our endeavors, we look forward to the continued support of our shareholders.

June 25, 2013



Makoto Iida
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