

[TRANSLATION]

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To whom it may concern:

Company Name: SECOM CO., LTD.  
Name of Representative: Ichiro Ozeki,  
President and Representative Director  
Securities Code: 9735 TSE Prime Market  
Contact for Inquiries: Toru Yokei,  
General Manager, IR Department  
TEL: +81-3-5775-8225

### **Notice Regarding the Receipt of a Shareholder Proposal**

SECOM CO., LTD. (the “Company”) hereby announces that the Company has received a shareholder proposal (the “Shareholder Proposal”) dated April 10, 2023 from LONGCHAMP SICAV (Dalton Investments, Inc. as a proxy), the Company’s shareholder, for the 62nd Ordinary General Meeting of Shareholders to be held on June 27, 2023.

The Company will carefully consider and deliberate the Shareholder Proposal and disclose the Board of Directors’ opinion as soon as it is determined.

#### Details of the Shareholder Proposal

Note: The relevant descriptions of the Shareholder Proposal submitted by the Proposing Shareholder set forth are English translation of the document released in Japanese. If there are any discrepancies between the translation and the original Japanese text, the latter shall prevail.

#### I. Proposed agenda

1. Repurchase of the company’s own shares
2. Amendments to the Articles of Incorporation regarding the handling of shares held by directors
3. Amendments to the Articles of Incorporation regarding the composition of outside directors

#### II. Summary of the agenda and the reason for the proposal

1. Repurchase of the company’s own shares

##### (1) Summary of the agenda

Pursuant to the provisions of Article 156, paragraph 1 of the Companies Act, the repurchase of the company’s common stock up to a total of 21,500,000 shares or up to the total amount of 180,000,000,000 yen, in cash, within one year from the conclusion of the Ordinary General Meeting of Shareholders, is proposed.

##### (2) Reasons for the proposal

We have held Secom’s shares for over ten years and we would like to pay our respects to the management team for their business operations that have enabled a high level of Return on Invested Capital (ROIC) as well as stable and sustained growth. However, in contrast to the high ROIC, Return on Equity (ROE) has continued to deteriorate as a result of the accumulation of cash assets in recent years and has become a factor in the lackluster stock price.

It is commendable that Secom resolved at a Board of Directors meeting held on February 9, 2023 to repurchase its own shares up to a total of 4,500,000 shares or 2.08% of total shares outstanding (excluding treasury shares)

or up to the maximum amount of 25 billion yen during the period from February 10, 2023 to May 31, 2023, and is taking measures to enhance shareholder returns and improve capital efficiency. However, taking into consideration the current deterioration of ROE due to the accumulation of cash assets, even when we take into account future M&A's, capital investments, R&D expenses, and business operation funds which are necessary to prepare for unforeseen risks, the current levels of cash assets are excessive. The accumulation of cash assets in excess of necessary funds will lead to a decline in capital efficiency and damage to corporate value. Given the fact that Secom is engaged in superior businesses with a high ROIC and that ROE is deteriorating due to the increase in cash assets, Secom should aim to improve ROE by further enhancing shareholder returns. Accordingly, we believe that to further enhance shareholder returns and improve capital efficiency Secom should adopt measures to repurchase approximately 10% of its shares outstanding (excluding treasury shares) as treasury shares.

2. Amendments to the Articles of Incorporation regarding the handling of shares held by directors

(1) Summary of the agenda

Article 10 of Secom's Articles of Incorporation shall be amended to establish provisions for the handling of shares held by the Directors of Secom, as described below.

(The amended sections are underlined)

Current Articles of Incorporation	Amended Articles of Incorporation
(Handling of Matters relating to Shares)	(Handling of Matters relating to Shares)
Article 10 Matters concerning the handling of shares and charges therefor and procedure, etc. for exercise of rights of shareholders shall be governed by the Share Handling Regulations to be established by the Board of Directors, in addition to laws and regulations, or the Articles of Incorporation. <u>2 (Newly established)</u>	Article 10 Matters concerning the handling of shares and charges therefor and procedure, etc. for exercise of rights of shareholders shall be governed by the Share Handling Regulations to be established by the Board of Directors, in addition to laws and regulations, or the Articles of Incorporation. <u>2 The handling of shares held by Directors shall be governed by the Share Ownership Guidelines established by the Board of Directors.</u>

(2) Reasons for the proposal

We believe the greatest weakness of the Board of Directors in Japan is the limited holding of shares by each director and the lack of a shareholder perspective as a result. At Secom, also, with the exception of those executives who are related to the founding family, the greater part of the economic benefits bestowed upon the directors are linked to basic compensation and short-term performance, and the correlation with medium- to long-term improvement of corporate value seems to be insufficient.

At almost all of the major listed companies in Europe and the US, share ownership guidelines have been adopted that stipulate continuous holding of a certain volume of shares over a certain period of time, which are thought to be required to share common value with the shareholders. In the majority of cases, after a grace period of several years, senior management is required to hold shares equivalent to three to five times that of basic compensation, while even outside directors are required to hold the same amount of shares as compensation.

We propose that directors and other senior members of management of Secom, unconstrained by past norms, aim for stock ownership comparable to global levels, demonstrate their commitment through appropriate disclosures,

and establish share ownership guidelines.

3. Amendments to the Articles of Incorporation regarding the composition of outside directors

(1) Summary of the agenda

Article 21 of Secom’s Articles of Incorporation shall be amended to ensure that outside directors make up the majority of directors, as described below.

(The amended sections are underlined)

Current Articles of Incorporation	Amended Article of Incorporation
(Number of Directors) Article 21 The Company shall have not more than twenty (20) Directors. <u>2 (Newly established)</u>	(Number of Directors) Article 21 The Company shall have not more than twenty (20) Directors. <u>2 As long as it remains a listed company, the majority of Directors of the Company shall be outside directors as stipulated in Article 2, Paragraph 1, Item 15 of the Companies Act.</u>

(2) Reasons for the proposal

We believe that the diversity and independence of the board are indispensable to the corporate management of today’s listed companies. A diverse board signifies a board capable of making management decisions from a wide-ranging perspective including skills, experience, age, nationality, gender, etc., while an independent board refers to a board comprising at least a majority of independent outside directors.

Principle 4.8 of the Corporate Governance Code stipulates, “Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities. Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.” Additionally, Principle 4.7 of the Corporate Governance Code lists, “Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders,” as one of the roles and responsibilities of independent outside directors.

Three of Secom’s nine directors are outside directors and thus the company satisfies the requirements of the Corporate Governance Code but we believe that, by making the majority of the directors outside more aggressively, Secom will be able to put in place a governance structure that would improve capital efficiency, enhance shareholder returns, and contribute to its sustained growth and the medium- to long-term improvement of corporate value.

Moreover, in terms of not only the number of outside directors but also their credentials, Secom requires talent capable of contributing to its sustained growth and the medium- to long-term improvement of corporate value, and in this regard, Secom should consider appointment of woman and talent with abundant experience and skills as analyst.

The appointment of “talent with abundant experience and skills as analyst” will bring in the perspective of outside investors and shareholders to the board, and at the same time it will be an effective means that will contribute to the improvement of corporate value through sound risk-taking. Intrinsically, the board of directors of listed

companies and investors/shareholders share the common goal of improving corporate value in the long term. Unfortunately in Japan, however, the two parties are often understood to be in a confrontational relationship. The participation of directors equipped with the experience and skills described above into discussions and decision-making of the board will enable sound risk-taking and capital allocation, and better communications with the market, all of which elevate the relationship between the board and the stock market to the constructive level it ought to be. Companies often explain that former bankers and accountants are responsible for the finance portion of the skill matrix but expertise in accounting and the debt market is not enough from the standpoint of encouraging “sound risk-taking” and in such cases an expert on the equity market would have a significance.

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