

We are working to improve productivity and investing in growth to create the ANSHIN Platform and achieve sustainable growth.

Ichiro Ozeki

President and Representative Director



Consolidated operating results

Despite a persistently challenging environment, owing largely to COVID-19, the Japanese economy showed signs of recovery in the fiscal year ended March 31, 2022, as corporate earnings and private sector consumption, among others, rallied. While economic and social activity is gradually returning to normal, downside economic risks associated with the evolution of the pandemic around the world, fluctuations in financial and capital markets, and growing uncertainty regarding the global situation and rising raw materials prices, continue to attract attention.

Against this backdrop, we pressed forward with ongoing efforts to realize our Social System Industry vision, in accordance with our objective of delivering safety and peace of mind, as well as to make life more comfortable and convenient, whenever and wherever necessary, for anyone and everyone. To this end, we continued to concentrate on extending high-grade services and systems optimized to meet the increasingly diverse and sophisticated needs of customers in our security services, fire protection services, medical services, insurance services, geospatial information services, BPO and ICT services, and other services

businesses. We also accelerated these efforts by clarifying initiatives to be implemented in line with the SECOM Group Road Map 2022 with the goal of achieving the SECOM Group's Vision for 2030.

Consolidated net sales and operating revenue for the period under review amounted to ¥1,166.1 billion, an increase of 2.7%, or ¥30.8 billion, while operating income advanced 15.2%, or ¥20.6 billion, to ¥156.4 billion. This primarily reflected increases in net sales and operating revenue, and in operating income, in the security services segment, which were underpinned by increases for electronic security services in Japan and overseas, and for static security guard services, as well as in the fire protection services segment, which benefited from a concentration of profitable projects during the period, and the medical services segment, which was bolstered by improvements in the earnings of partner hospitals in Japan and a general hospital in India. Net income attributable to SECOM CO., LTD., climbed 19.8%, or ¥17.8 billion, to ¥107.7 billion.

Initiatives in the period under review

With COVID-19 continuing to impact society, we believe that the greatest contribution we can make to society is to do our utmost to maintain services while placing our highest priority on the safety of customers and employees. Accordingly, we have taken a number of key steps to help curb the transmission of the virus, thereby safeguarding business continuity and our ability to provide uninterrupted around-the-clock services. I am particularly proud of SECOM employees, who even during the pandemic have conducted themselves with a deep sense of their mission to deliver safety and peace of mind to customers. In addition, as an

official partner (Security Services and Planning category), we contributed to the safe and secure staging of the Olympic and Paralympic Games Tokyo 2020, held from July through September 2021, for which we provided security at competition venues and other facilities.

During the period, we also continued to implement the four priority strategies I have advocated since taking office as president and representative director in June 2019: expand monitoring services, strengthen our overseas operations, reinforce our BPO and ICT services business, and improve productivity.

Expand monitoring services

In Japan, a super-aged society, ensuring elderly parents living apart can live in safety and comfort is a concern for many people. The pandemic has made it difficult for people to visit their parents, exacerbating the need for assistance on this front. In this environment, people are increasingly seeking one potent solution in home security services that enables family members to remotely monitor parents and dispatches emergency response personnel if necessary.

In June 2021, we launched SECOM Monitoring Service for Seniors, an optional service available to SECOM Home Security subscribers. With this service, family members can check up on their parents in an unobtrusive manner to confirm any variations in the frequency or nature of daily activities by accessing information captured by SECOM Home Security sensors installed in the home of a senior using a smartphone app. For monitoring individuals with health concerns, we are also developing various new sensors that facilitate the real-time detection of, for example, changes in posture, which could have been caused by a fall, or whether a sleeping individual is breathing, for which we are currently conducting verification tests at a SECOM-operated nursing home. To raise awareness of SECOM Home Security in the elder care market, we stepped up advertising and publicity activities, including by creating new television advertisements, an effort that has yielded highly positive results.

The need for monitoring services is not limited to elder care. Among increasingly health-conscious young and middle-aged individuals, demand is expanding for services that allow self-monitoring of physical condition. In line with our "Connection" strategy—one of four strategies for creating the ANSHIN Platform—in February 2022, we launched SECOM Cantabile, which makes it possible for existing SECOM Home Security subscribers to link their home security system with an Apple Watch or iPhone simply by installing an app, which they can tap to arm or disarm their home security system. The app also stores Apple Watch health data, such as calories expended, steps taken, sleep time, and blood oxygen level, which the subscriber can use in everyday health management. We have also begun promoting marketing efforts tailored to younger customers, many of whom have an Apple Watch, acknowledging that their monitoring needs often differ from those of seniors.

We continue to advance cloud-based monitoring services that target the healthcare management needs of diverse age groups. Pursuing an open and interactive approach that includes collaborating with other companies offering a variety of key systems and services, we are making use of Group management resources in areas such as medical services, BPO and ICT services to explore new possibilities in such areas as health tech.

Strengthen overseas operations

With Japan's population expected to continue declining over the long term, we believe that strengthening our operations in promising overseas markets is essential to ensuring

sustainable growth going forward. As a first step, we will strive to boost consolidated net sales and operating revenue generated overseas to 10% or more of the consolidated total.

With the aim of expanding our overseas operations through both organic growth and M&As, we are reinforcing the capabilities of employees and pursuing a variety of strategies and initiatives.

The popularity of on-line security systems tends to expand in line with national and regional economic growth. We are extending our operations in promising markets, focusing on Asia, including by providing services that reflect the needs and sensibilities of the region's growing wealthy and middle classes, rather than insisting on offering services and systems developed for the Japanese market. Most of the countries and territories in which we have operations have a well-established foundation for the provision of on-line security systems in place. We have established the ASEAN Innovation Center in Bangkok and the China Innovation Center in Shanghai and are promoting the development and deployment of highly convenient interactive on-line security systems that use smartphones. In Thailand, we launched a new highly scalable cloud-based on-line security system for small and medium-sized businesses and for homes and commenced related advertising and publicity activities. Advertisements featuring well-known local actors have been well received and

Reinforce BPO and ICT services business

In addition to providing high-quality and highly reliable data center services around the clock, we also operate one of Japan's largest data center networks, providing outstanding connectivity to cloud-based services and creating an IT infrastructure that is indispensable for many companies. To meet expanding demand for data center services in today's increasingly digital, cloud-based society, we plan to open a hyperscale urban data center in the Tokyo metropolitan area in 2024, as well as a new data center adjacent to an existing facility in 2025. We are also pressing ahead with the establishment of small-scale data centers in Kyushu and

Improve productivity

Japan's declining labor force is expected to further complicate the challenge of securing human resources in the future. Accordingly, improving productivity is essential for us to continue achieving growth. In our security services business, we are updating in-house IT systems so that we are positioned to handle an increase in work volume resulting from higher subscriber numbers and the expansion of services with current staffing levels. We

continue to attract enthusiastic reviews, bolstering recognition of the SECOM brand and contract numbers. Looking ahead, we will continue to broaden our presence in Thailand, as well as to capitalize on know-how gained in this market to expand into other countries and regions, thereby accelerating organic growth.

Cultivating new markets in various countries and territories is also crucial to driving the growth of our overseas operations. For this reason, we recently established a business development team that is charged with exploring potential business alliances and M&As with the purpose of expanding the geographical breadth of our business activities. Secom Smart (Malaysia) Sdn. Bhd. and Secom Smart (Singapore) Pte. Ltd., both of which joined the SECOM Group in the autumn of 2020, are expanding digital marketing initiatives and promoting the increased use of cloud-based security systems. In Turkey, a market we entered in 2019, contract volume has expanded significantly thanks to strong appreciation for meticulous Japanese-style services and the outstanding cost-performance benefits of our on-line security systems. Going forward, we will continue to seek business alliances and M&As that offer benefits while carefully weighing country risk.

Hokkaido to meet demand driven by rapid digitization in different areas of the country.

Sales staff are striving to propose business continuity planning (BCP) support services, as well as various cloud-based services that assist efforts to digitalize and streamline operations, to users of our on-line commercial security systems. To make this possible, we are expanding our ICT service offerings, deploying ICT-savvy personnel to security services sales teams across the country, and working to improve the ICT literacy and proposal development capabilities of sales staff.

made the decision to implement this update, having carefully considered the scale of current investments and exposure to various risks, with the goal of boosting the productivity of individual employees and will roll out related initiatives over the next few years.

In another move designed to enhance productivity, we took steps to optimize the siting of SECOM control centers. Additionally, in April 2022 we shifted the back-office support

components of sales, operational, and administrative functions of individual offices to an administrative services group, thereby breaking down organizational silos and

creating a streamlined, more efficient configuration. We will continue working to optimize our organization to further increase overall productivity.

The transformation of the security services business

COVID-19 has brought far-reaching changes to all facets of life. Many of these changes, particularly those affecting business practices, consumer behavior, and work styles, are likely to remain even after the pandemic subsides, as the world transitions to a new normal. At the same time, we must continue to address challenges associated with Japan's super-aged society, notably a shrinking labor force, as well as with the increasing frequency of climate change-related natural disasters and growing requirements for information security arising from expanded digitalization. SECOM customers are seeing new needs for enhanced security and troubleshooting as a consequence of reduced staff numbers and a shift to unmanned formats for retail facilities, as well as for efficient employee attendance management systems, and improved information security and document digitalization to accommodate the expansion of telework and work style reforms. With people increasingly opting to work from home and making frequent use of delivery services, needs are also rising for a broad range of services that ensure safe and secure home environments. The pandemic

has also further spurred demand for monitoring services that help protect elderly parents and other family members, and for remote healthcare services.

Technologies are evolving at an astounding pace. The security services industry is expected to gain from the spread of artificial intelligence (AI), Internet of Things (IoT), and 5G mobile communications technologies, as well as from rapid progress in the area of sensing technologies, all of which are forecast to support the development of IoT services that will help address challenges in both everyday life and in business. The compatibility of on-line security systems with IoT services will enable us to greatly expand the menu of services we offer. In addition, advanced labor-saving technologies are projected to benefit security guard services, particularly by facilitating the use of robots. In the security services industry of the future, we believe that the key to dramatic growth will be our ability to incorporate new technologies to deliver new value to customers, as well as to leverage such technologies to improve our own productivity.

Growth strategy: Driving the evolution of on-line security systems

As a company with on-line security systems as its core business, we see this era of transformation, occasioned by dramatic socioenvironmental changes and technological progress, as an important business opportunity. We have the largest customer base of any security services company in Japan. This has enabled our R&D team to accumulate extensive know-how in this area. Rather than being shackled by its own technological prowess, the team also collaborates actively with various partners to encourage open innovation, allowing it to integrate advanced technologies from diverse sources. Our extensive service network, which organically links the IT systems and human resources responsible for the provision of SECOM on-line security systems around the clock, ensures uniformly high-grade services across Japan.

We have actively promoted System Security AZ, an all-in-one security system offering excellent scalability that was originally launched in 2019, as our core commercial on-line

security system. Unlike previous systems, which were tailored to the industries, business scales and operations of subscribers, AZ uses image sensing to deliver an outstanding monitoring performance and offers remote operation from a smartphone, camera monitoring, access management, and employee attendance management. These functions can be selected to meet individual customer needs and new functions can be added in the future. In July 2022, we launched AZ-Air, a new security system targeting small and medium-sized commercial facilities and offices, a particularly promising market. In addition to the high-grade monitoring and other functions of AZ, AZ-Air offers a compact main unit and wireless connection to sensors, achieving both improved aesthetics and price competitiveness. We look forward to this new model contributing to a sharp increase in sales of the AZ series of on-line security systems.

Sensing and other technologies are evolving rapidly. As a company with a huge customer base and more than 2.4 million on-line security systems installed in Japan, we attract a wide range of partners, from major corporations to start-ups, with diverse technological capabilities. Through open innovation with such partners, we will continue to progress as a leader in the provision of services that make use of the latest technologies. Ongoing efforts to develop and extend new services that make use of the technologies of our open innovation partners will position us to respond swiftly and flexibly to increasingly diverse and complex customer needs. By emphasizing not only highly convenient new subscription-based services but also robust backup in the form of highly trained emergency response personnel when circumstances demand, we will continue to provide distinctively SECOM services and systems that ensure our ability to be there for customers whenever we are needed. An extensive lineup of services not only attracts new customers, leading to new contracts, but also inspires existing customers to take advantage of multiple services, helping strengthen the customer-provider relationship and encouraging longer contract periods. In other words, strengthening our service offerings will help increase contract volume, boost contract fees, and prevent contract cancellations, thereby maximizing profits.

Making the most of opportunities for dramatic growth necessitates timely investments. The SECOM Group Road Map 2022 calls for focused outlays aimed at expanding the capacity of the core system used in our on-line security systems to accommodate the evolution of technologies. It is

Growth strategy: Taking security guard services to a new level

The falling number of working-age people in Japan is another factor that is complicating the challenge of ensuring a sufficient labor force. In the security services industry, too, there is a need to reduce the burden on and improve working conditions for security guards. One way we are addressing this issue is by working to create security services that leverage advanced technologies. Of particular note, we have explored ways to more effectively use technology in the provision of static guard services at office buildings and commercial facilities. This has led to the realization that replacing some static guards with devices and systems, yielding an optimal combination of people and machines, makes it possible to maintain or even improve the

also necessary to replace equipment currently installed on the premises of existing commercial security services subscribers with new systems such as System Security AZ that support new technologies. Because we maintain ownership of security equipment and rent it to subscribers, we have always replaced older equipment with newer models when appropriate. To encourage the use of new services, we are accelerating the pace of replacement by proceeding with a 10-year investment plan to gradually replace equipment currently in use, beginning with subscribers who have used currently installed equipment the longest. As mentioned earlier, we are also updating in-house IT systems so that we can handle an increase in work volume resulting from increased subscriber numbers and an expanded service lineup with current staffing levels.

The deployment of advanced technologies can also be expected to dramatically improve security guard services, as well as to ease the physical demands on emergency response personnel. A reduced physical burden will increase the capacity of our emergency response infrastructure to provide services around the clock, whenever needed, thus improving productivity.

In addition to conventional services, involving monitoring with sensors and support by emergency response personnel, in the years ahead we will introduce a wide range of new subscription-based services that leverage data science and are backed up by emergency response personnel. By thus realizing new distinctively SECOM services and systems, we will seek to position ourselves on a new growth trajectory.

quality of security provided while at the same time easing the physical demands on guards.

In the area of management and operation for large-scale facilities, we have gained extensive experience and know-how by working to reduce labor requirements for static guards through the partial automation of access control, as well as opening and closing procedures, and the installation of surveillance cameras. We have also leveraged advanced technologies, including in the trial introduction of a new AI-powered image recognition system for major events. In January 2022, we launched the AI-powered Virtual *Keibi* System, which features a virtual character that performs security, receptionist, and other duties, and security robot

cocobo, which makes use of AI and 5G technologies to autonomously patrol commercial facilities in place of security guards. In addition to further expanding our accumulated expertise in ways to reduce labor requirements, we will further expedite efforts to deal with the declining number of static guards, including by pursuing open innovation aimed at developing new systems.

In July 2022, Senon Ltd., a Japanese provider of static guard services and electronic security services, as well as airport security services and vehicle fleet operation services, joined the SECOM Group. With competitive strengths in the provision of static guard services for large commercial facilities, Senon also has an industry-leading track record in airports security services. We look forward to capitalizing on Senon's management resources and know-how, as well as

Investments in Growth

As mentioned earlier, we are investing in systems and replacing subscribers' equipment with new models compatible with the evolution of on-line security systems while also updating in-house IT systems to improve productivity. We are also investing in human resources, confident that our employees remain highly motivated to be agents of change, rather than being content with the status quo, by implementing the first across-the-board base salary increase in five years.

On another note, we are investing to strengthen our advertising and publicity activities with the goal of further cultivating demand in the emerging domestic market for monitoring services, as well as to encourage greater awareness of the SECOM brand in overseas markets. To meet growing demand for data center services, we are investing to build new data centers and to improve the quality and management of IT systems for various services provided.

Capital Management

Our ability to make necessary investments in growth at the optimal time in an ever-changing socioeconomic environment is due to our solid income foundation, which is attributable to our portfolio of stable recurring-revenue-based businesses, notably on-line security systems. We earmark cash generated by such stable recurring revenue-based businesses, keeping in mind the importance of balancing investments in growth, operating funds, and returns to shareholders. Given



our own, to promote the mechanization of static guard services and develop security systems that combine the best features of people and equipment. We will also continue to expand our security services for large-scale facilities such as airports, convention centers, and sports stadiums, as well as to take steps aimed at bolstering profitability.

Because all investments in growth are aimed essentially at expanding earnings and improving productivity, we fully expect they will yield appropriate returns. Growth through M&A activities is also a promising option. We are targeting companies in the area of physical security, cyber security, BPO and ICT services, and healthcare, as well as start-ups with outstanding technological capabilities, and will select companies in which to invest by looking at both investment efficiency and time frame. Investments in growth are investments in our future. If we are not decisive in making investments at this juncture, the pace of our growth in the future will surely be hindered. One of my responsibilities is to help build a solid foundation for SECOM to continue advancing forward, so that in the future people will look back and recognize the wisdom of the moves we are making now. Accordingly, I will continue to approach these investments in growth from a medium-term perspective.

increasingly diverse social imperatives and the rapid evolution of technology that is propelling the fundamental transformation of the security services industry, investments in growth necessarily take precedence at the moment. While it almost goes without saying that such investments are a growth driver that enhances corporate value, there are also challenges. Accordingly, our policy is to allocate these investments from equity.

Operating funds are the funds needed to provide services and ensure our ability to provide services without interruption and ensure business continuity regardless of changes in the operating environment, thereby fulfilling our responsibility to deliver safety and peace of mind. SECOM Group companies differ in terms of working capital and capital investment needed to guarantee business continuity. Because risk levels for these companies vary depending on the nature of their businesses, this is also taken into account in determining the appropriate level of operating funds.

We have always seen the provision of fair returns to shareholders as a crucial management task. With a business model centered on recurring revenue-based businesses that

continue to expand thanks to investments in growth, we seek to ensure a consistent and stable distribution of surplus in line with our payout ratio target. For the fiscal year ended March 31, 2022, dividends for the full term—the record dates for which fall during the period—amounted to ¥180.00, an increase of ¥10.00 from the previous fiscal year. Between February and June 2022, we repurchased our own shares for the first time in approximately 13 years, with a total repurchase price of approximately ¥30 billion. We will continue seeking to return wealth to shareholders through share repurchases while closely monitoring our cash position, the scale and timing of investments in growth, and trends in share prices.

ESG initiatives

COVID-19 and rapid digitalization have resulted in the increasing diversity and sophistication of our customers' needs for safety and peace of mind. Against this backdrop, our greatest competitive advantage is our human resources, who stand with customers around the world, listening closely to their concerns and responding to demand related to the need to ensure security in a connected society and to rely on others.

Recognizing that the sense of mission and motivation felt by employees bear directly on the quality of SECOM services, we seek to secure and train enthusiastic individuals, as well as to promote diversity and inclusion initiatives and create comfortable work environments. In the spring of 2022, we implemented the first across-the-board base salary increase in five years.

The realization of our corporate vision depends on rigorous corporate governance, indispensable to the appropriate management of our operations, and each and every employee acting in accordance with SECOM's Philosophy and working to fulfill their potential. We are also taking ongoing steps to enhance the effectiveness of our Board of Directors, as well as encouraging outside members of the Board of Directors and the Audit & Supervisory Board to participate actively in free and open discussion. We currently have one female outside director, but constructive opinions have been expressed regarding further increasing the diversity of the Board's composition. Accordingly, we are committed to fostering female leaders, with the aim of producing more female directors in the future.

We can only provide SECOM security services if customers trust us and are willing to enter into contracts.

Given that our core business essentially means customers hand over the keys to their business or home, it is critical that each and every employee truly understands SECOM's Philosophy, which has been handed down through generations of SECOM employees. As such, we pursue rigorous governance, requiring employees to act in strict compliance with the SECOM Group Code of Employee Conduct and the Behavioral Guidelines Based on SECOM's Philosophy. Also, because we are entrusted with important customer information, all employees must be highly aware of information security. As a provider of BPO and ICT services, we work to maintain a stringent information security risk management system and to ensure that all employees observe our basic information security policy and rules, making it possible for customers to use our services with confidence.

Efforts to decarbonize are accelerating worldwide. We have set a target for achieving carbon neutrality—net zero greenhouse gas emissions—by 2045. All SECOM Group companies are working to achieve this target which in July 2021 was certified under the Science Based Targets initiative (SBTi). We have also joined Renewable Electricity 100% (RE100), a global renewable energy initiative, with the objective of shifting entirely to electricity generated using renewable energy by 2045.

Our Sustainability Promotion Office, which plays a leading role in environmental, social and governance (ESG)-related initiatives, promotes a variety of activities, including holding study sessions to raise employee awareness of sustainability and further understanding of the United Nations' Sustainability Development Goals (SDGs). In

addition, we have prepared booklets and other materials to inform employees and customers about SECOM's

ESG initiatives, which are also used widely in sales and recruitment activities.

Growing businesses and ensuring sustainable growth for SECOM

The protracted COVID-19 pandemic, together with instability in the global situation and rising prices for crude oil and raw materials, continue to underscore persistent uncertainty, as a result of which we are seeing customers' willingness to invest in security increasingly tempered by concerns over the current conditions. While we believe that the impact of these and other factors on our recurring revenue-generating businesses, notably on-line security systems for commercial and home security services, will be negligible, we expect sales of security equipment to decline. We also anticipate the postponement or downsizing of large-scale and profitable projects. In addition, we anticipate that the profitability of data centers, which use significant amounts of electricity, will be squeezed if electricity costs continue to climb. Despite these circumstances, we will continue to implement crucial forward-looking investments in systems and people and incur necessary expenses to further reinforce our advertising and publicity activities, with the aim of ensuring sustainable growth.

In recent years, the world has suffered multiple major calamities, including the spread of COVID-19 and increasingly frequent natural disasters. Regardless of the likelihood of major risks and incidents ahead, we believe that there is nothing for which we cannot prepare. While it is difficult to predict what sort of risks will arise, we will not neglect advanced preparations and training so that we can minimize the impact thereof by ensuring each and every employee is able to make timely and accurate decisions based on SECOM's Philosophy and respond effectively and with agility. Regardless of the seriousness of such risks, we will work tirelessly to ensure the safety of our customers, and we believe this will continue to ensure customers are satisfied with our services and happy they turned to SECOM. Underpinning everything we do is the uniquely SECOM identity, unchanged since our founding, which emphasizes not being bound by existing conventions and concepts and doing what is right for society without compromise. Ensuring this unique identity is shared by everyone in the SECOM Group, thus permeating the entire organization, is central to our ability to evolve continuously as a cohesive unit capable of responding to changing social imperatives.

On July 7, 2022, we celebrated SECOM's 60th anniversary. While this is certainly an important milestone, we recognize it as simply one point on the long timeline of our history. Today, the SECOM name is synonymous with safety and peace of mind, evidence of the solid foothold we have established in the security services market. However, we have no intention of resting on our laurels. With a sense of urgency, an understanding that complacency is the beginning of decline, and a refusal to be content with the status quo, we remain committed to cultivating new markets and developing groundbreaking new services and systems that are beneficial to society.

I am confident that our current endeavors will bear fruit. I hope our stakeholders continue to expect great things from SECOM and look forward to their ongoing support and guidance.

July 25, 2022

Ichiro Ozeki

President and Representative Director