
**Sharing the same philosophy and view of SECOM in the future,
the entire SECOM Group continues working to address increasingly diverse social imperatives
with the aim of further enhancing corporate value and growing together with society.**

Consolidated Operating Results

In the fiscal year ended March 31, 2019, the Japanese economy remained on a gentle upswing, underpinned by consistently high corporate earnings and improved employment levels. Nonetheless, uncertainties persisted regarding, among other factors, international trade issues, the economic outlook for the People's Republic of China (PRC) and emerging economies in Asia, and a lack of clarity around the United Kingdom's exit from the European Union. These and other economic and political trends overseas, together with the impact of fluctuations in the financial and capital markets, continued to warrant caution.

Against this backdrop, we pressed forward with ongoing efforts to realize our Social System Industry vision, in line with our goal of providing safety and peace of mind, as well as making life more comfortable and convenient, whenever and wherever necessary, for anyone and everyone. Efforts continued to concentrate on responding to the needs through the provision of high-grade services and systems in our security services, fire protection services, medical services, insurance services, geospatial information services, BPO and ICT services, and real estate and other services businesses.

Bolstered by the inclusion of a full year of results from TMJ, Inc., acquired in October 2017, and an increase in the medical services segment, underpinned by a rise in the number of patients at associated hospitals, consolidated net sales and operating revenue in the period under review rose 2.7%, or ¥28.8 billion, to ¥1,111.6 billion. Nonetheless, operating income declined 11.7%, or ¥16.4 billion, to ¥123.7 billion, owing to the occurrence of multiple major natural disasters and an increase in loss on other-than-temporary impairment of investment securities, as a result of which the insurance services segment reported an operating loss, as well as to the impact of investments to reinforce our operating foundation with the aim of ensuring sustainable growth. Net income attributable to SECOM CO., LTD. at ¥89.7 billion, was down 7.2%, or ¥6.9 billion.

Enhancing Returns to Shareholders

Seeing the provision of fair returns to shareholders as a crucial management task, we determine our consolidated dividend payout ratio and internal reserves based on an overall assessment of efforts to expand our operations and trends in our consolidated operating performance, in line with our policy of ensuring a consistent and stable distribution of profits. At the Ordinary General Meeting of Shareholders held on June 26, 2019, the payment of a year-end dividend of ¥85.00 per share was approved. As a consequence, dividends for the full term, which also included an interim dividend of ¥80.00, amounted to ¥165.00, up ¥10.00 from the previous fiscal year.

A New Management Team

On May 14, 2019, the Board of Directors passed a resolution to implement personnel changes to reinforce our management structure with the objective of accelerating the implementation of initiatives in line with the SECOM Group Road Map 2022 as we work to achieve the SECOM Group's Vision for 2030. Accordingly, effective from June 26, 2019, Yasuo Nakayama was appointed chairman and representative director, and Ichiro Ozeki was appointed president and representative director. Our former president steadily advanced efforts to enhance employee motivation and promote management reforms from a medium- to long-term perspective.

Our new president, Mr. Ozeki, who has extensive knowledge of digital and other advanced technologies, will exercise strong leadership in promoting measures to enhance the efficiency of systems, enabling us to continue responding flexibly to major socioenvironmental changes and in so doing to expand existing businesses. We will also accelerate the creation of vital new services. As chairman, Mr. Nakayama will endeavor to strengthen external activities, as well as to further promote environmental, social and governance (ESG) initiatives. Guided by our new management team, we will thus continue working to achieve sustainable growth.

Priority Challenges and Focused, Forward-Looking Investments

As a company that sees its mission as being to help achieve a society free from concerns, in May 2017 we formulated the SECOM Group's Vision for 2030. Guided by this vision, we are working to create 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. In May 2018, we devised the SECOM Group Road Map 2022 to clarify the principal challenges we must address to achieve this vision, namely technological advances and a declining labor force. While technological advances, notably in artificial intelligence (AI) and the Internet of Things (IoT), have led to qualitative improvements in lifestyles, ensuring security is a prerequisite to enjoying the convenience of everyday life. Accordingly, needs related to physical and cyber security continue to expand. Japan's declining labor force is causing labor shortages and rising labor costs, driving up companies' need to enhance productivity and seek reliable partners to which they can outsource work. This situation is also leading to the expansion of needs related to care for children and seniors, owing to the growing prevalence of seniors-only households and families in which both parents work outside the home.

Anticipating that such needs will yield major business opportunities and believing in the importance of accelerating growth, we have embraced the challenge of self-change—a process we have dubbed “SECOM-Transformation”—in the two years ending March 31, 2020, we are promoting focused investments in human resources and systems. In addition to enhancing our ability to secure individuals with the high-level experience and skills necessary to work in IT and global business, investments in human resources emphasize the creation of positive working environments, enhancing our training programs and reinforcing our recruitment of front-line staff. Investment in systems centers on building next-generation core systems, as well as introducing AI, IoT and robotic process automation (RPA) to bolster operational quality and efficiency. In addition, we are advancing R&D to realize new services and systems that leverage the latest technologies. By promoting such investments, which aim to facilitate the creation of a strong foundation, we are driving the creation and growth of new businesses and expanding existing business.

Major Business Initiatives

Customer needs for security and peace of mind continue to increase and diversify, owing to dramatic societal change, a trend that is expected to drive the further expansion of the security services market. Against this backdrop, in our commercial security services business, we continued to provide on-line security systems and static guard and armored car services, as well as a variety of merchandise, including access control and security camera systems. In Japan, ensuring the effective use of human resources and enhancing productivity are increasingly urgent issues in light of persistent labor shortages. In this environment, we continued to offer a variety of solutions that respond to needs for reduced labor requirements and advanced automation achieved through greater efficiency.

SECOM LX, for example, combines an on-line security system with access control functions, and uses recorded entry and exit data to manage employee attendance, helping improve the efficiency and lower the cost of personnel management. In addition to partnering with a major retail group to reduce the workload of

static guards at large-scale facilities, we began offering SECOM Supply Chain Security Select, a service that assists companies in securing safety certification for their supply chains. Other achievements that make use of advanced technologies include development of the AI-powered Virtual Security Guard System, featuring a virtual character who performs security and receptionist duties, and the launch of service using SECOM Robot X2, an autonomous patrol robot.

We also continued to provide a variety of security solutions designed to ensure the safety and security of large-scale events. These include facial recognition systems that utilize AI and the SECOM Aerostat, a dirigible that captures images from above.

In addition to protection against burglary, theft and fire, Japan's home security market is seeing growing needs for services that assist with care for seniors living alone and for children at home alone, an increasing concern given the growing prevalence of families where both parents work outside the home. We continued to see robust sales of new mainstay SECOM Home Security NEO, a system that can be armed and disarmed remotely from a smartphone and which notifies subscribers when the system is accessed by family members entering or leaving the home. Boasting outstanding connectivity, SECOM Home Security NEO can also be linked with a variety of devices on the IoT. In the period under review, the service was linked with a unique communication robot, creating a new style of security services that provides seamless peace of mind. In April 2019, we launched the SECOM Senior Care Phone Service, which combines the SECOM My Doctor Plus emergency medical alert system for seniors with a safety confirmation function and does not require a home security services contract. In line with our goal of ensuring automated external defibrillators (AEDs) are available for use whenever and wherever needed, we launched SECOM MyAED, Japan's first on-line package service centering on home-use AEDs.

Overseas, we continued working to expand the provision of SECOM-style security services, a term we used to describe comprehensive on-line security systems that encompass everything from the installation of security equipment at the subscriber's premises to the prompt dispatch of emergency response personnel when needed, with efforts focused particularly on Southeast Asia and the PRC. In addition, we created a systems integration (SI) team, positioning us to capitalize on demand arising from the increasing construction of large-scale facilities in high-growth countries and territories, as well as made a full-scale entry into the market for home security services in major Asian urban centers. We also sought to fortify our regional sales configurations by, among others, accelerating sales of AEDs in Asia. In February 2019, we established a consolidated subsidiary in Turkey with a major local conglomerate.

In fire protection services, SECOM Group companies Nohmi Bosai Ltd. and Nittan Co., Ltd., two of Japan's leading names in this field, continued to earn consistently high marks from customers for their superior automatic fire alarm, fire extinguishing and other fire protection systems, which they provide for a variety of applications, including office buildings, plants, tunnels, structures designated as cultural properties, ships and homes. In the period under review, the two companies continued working to secure new orders by leveraging their respective business foundations and product development capabilities to address the needs of a broad range of customers.

Efforts in our medical services business emphasize Home Medical Services, which comprise home nursing and pharmaceutical dispensing services, support for affiliated medical institutions, sales of medical equipment and pharmaceuticals, the operation of residences for seniors, personal care services, and the provision of electronic medical reporting and other ICT-based systems in Japan, as well as the operation of a hospital in India. In the period under review, we launched the SECOM Vitalook service, a remote medical support platform that leverages our extensive know-how in home medical services, as well as our data center capabilities and advanced technologies. This service allows physicians, nurses and other healthcare professionals to review the electrocardiogram, blood pressure and other biometric data of home medical care patients remotely.

In the area of insurance services, we worked to expand sales of our distinctive non-life insurance policies. These include fire insurance policies that extend discounts to customers who have installed on-line security systems, recognizing this as a risk-mitigating factor, and MEDCOM, an unrestricted cancer treatment policy that covers entire cost of medical treatment for cancer.

Our geospatial information services business continued to focus on the collection of geographic data from commercial satellites, aircraft and proprietary vehicles, among others, which is integrated, processed and analyzed to provide geospatial information services to public-sector entities—including national and local governments—and customers in the private sector in Japan. We also offer these services to government agencies in emerging and developing economies.

BPO and ICT services encompass the provision of data center services, support for business continuity plans (BCPs), information security services, cloud-based services and BPO services. In response to heightened cyber-security needs, we expanded our information security services, including by launching the Cryptocurrency Wallet Service, which makes use of our extensive know-how in the secure management of private keys from cryptoasset exchanges. We also began offering SECOM Shift Scheduler, which automatically generates shift schedules, assisting the efforts of restaurants and retailers to enhance productivity.

Our real estate and other services business continued to concentrate on the development and sale of condominiums equipped with distinctive security and disaster preparedness features. Other services include real estate leasing, construction and installation.

Creating the ANSHIN Platform

Operating in an environment characterized by significant, continuous upheaval, we will continue to make use of the latest technologies to evolve as a provider of services that go beyond the conventional ideas of security to deliver safety and peace of mind, as well as to make life more comfortable and convenient, and that remains in close proximity to customers. To the more than 1.06 million commercial subscribers to which we provide security services across Japan, we will continue to leverage our robust operating foundation, which includes one of Japan's largest data centers, to provide innovative high-value-added services. To our domestic home security subscribers, who number in excess of 1.34 million, we will respond to rising needs for help with looking after vulnerable members of society by broadening our offerings to include not only services that feature emergency responses when needed but also systems that make use of various advanced technologies.

As a provider of services that fuse people and technologies, of which our on-line security systems are the best-known, we recognize that our ability to offer services that deliver such invisible qualities as security and peace of mind, as well as to make life more comfortable and convenient, depends not only on technological capabilities, but also on the capabilities of SECOM employees on the front lines. Japan's shrinking labor force continues to underscore the promotion of automation, enhancing efficiency and securing talented human resources as crucial management issues that we must prioritize going forward. To reduce the workload of frontline employees, thereby improving productivity and reinforcing our competitiveness, we will review business processes and systems rather than insisting on established routines.

We will also continue working to maximize employees' latent capabilities and inspire them to fulfill their potential by creating a virtuous circle rooted in employee job satisfaction, and will step up the promotion of efforts in line with the Tri-ion Initiative, which seeks to ensure that SECOM's Philosophy fully penetrates every aspect of our operations. In addition, we will fortify efforts to encourage a managerial mind-set among all employees, that is, on fostering employees who share SECOM's Philosophy, understand our mission and are capable of forming judgments and acting independently. At the organizational level, we will allocate greater authority to officers in charge to accelerate decision making and improve the efficiency of business management.

A Message to Shareholders

Our organization, which comprises individuals who share SECOM's Philosophy, the unflinching foundation of everything we do, who are highly adaptable to change, able to create value and committed to contributing to society, and which underpins our efforts to achieve SECOM Group's Vision for 2030, is an incomparable intangible asset. Going forward, we will capitalize on this organization to hasten the implementation of our business strategy, which centers on measures consistent with four concepts crucial to creating the *ANSHIN* Platform, a service infrastructure essential to the SECOM Group's Vision for 2030: "ALL SECOM," "Collaboration," "Connection" and "Enhanced Value." We will also promote mergers and acquisitions (M&As) to acquire businesses essential to the *ANSHIN* Platform, thereby reinforcing overall Group strengths.

Overseas, we will also take steps to further strengthen our operations and accelerate growth. To these ends, we will actively pursue the development of services tailored to the local business environment by leveraging but not being limited by our experience in Japan.

Since our establishment, we have emphasized contributing to society through our business activities. In 2019 and 2020, Japan will host a number of major events, including global sports tournaments. The entire SECOM Group family is committed to working as one to help ensure the safe and secure staging of these events.

As we continue to promote initiatives in line with the SECOM Group Road Map 2022 with the ultimate goal of achieving SECOM Group's Vision for 2030, we will remain committed to providing enduring peace of mind to an ever-changing society by helping to address increasingly complex and diverse social imperatives, thereby ensuring sustainable growth for society and ourselves and bolstering corporate value. In addition, we will continue to value communication with stakeholders, sharing information on our vision and management strategies with investors and engaging in constructive dialogue. In these and all of our endeavors to expand the operations of the SECOM Group, we look forward to the ongoing support and guidance of shareholders.

June 26, 2019



Makoto Iida

Founder



Yasuo Nakayama

Chairman and
Representative Director



Ichiro Ozeki

President and
Representative Director