

A Message to Shareholders

We remain committed to developing and providing high-value-added services that anticipate social change and enhancing productivity and profitability across the SECOM Group with the aim of growing together with society.

Consolidated operating results

In the fiscal year ended March 31, 2020, the Japanese economy remained on a moderate upswing, underpinned by favorable corporate earnings and improved employment levels. Nonetheless, uncertainties persisted regarding the trade war between the United States and the People's Republic of China (PRC), fluctuations in global financial and capital markets, and the impact of natural disasters and an increase in Japan's consumption tax rate. In recent months, the COVID-19 pandemic has further complicated the situation, inflicting significant damage on economies across the globe.

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. 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 real estate and other services businesses. Thanks to increases in all segments, consolidated net sales and operating revenue in the period under review advanced 4.4%, or ¥49.1 billion, to ¥1,160.7 billion. Despite the impact of forward-looking investments to reinforce the Company's operating foundation with the aim of ensuring sustainable growth, operating income rose 5.5%, or ¥6.9 billion, to ¥130.6 billion, bolstered by operating income growth in the fire protection services, BPO and ICT services, geospatial information services, real estate and other services, and medical services segments, as well as by a smaller operating loss in the insurance services segment. Nonetheless, owing to a ¥139 million loss on private equity investments, compared with a ¥4.7 billion gain on such investments in the fiscal year ended March 31, 2019, together with an increase in income taxes that reflected a larger reversal of the valuation allowance in the preceding period, net income attributable to SECOM CO., LTD., decreased 2.8%, or ¥2.6 billion, to ¥87.1 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 businesses 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 on June 25, 2020, the payment of a year-end dividend of ¥85.00 per share was approved. As a consequence, dividends for the full term—the record dates for which fall in the period under review—amounted to ¥170.00, up ¥5.00 from the previous fiscal year.

Our mission and SECOM's Philosophy

We see our mission as helping to achieve a society free from concerns. Guiding our efforts to fulfill this mission are SECOM's Philosophy, which has been handed down since our establishment and provides an essential spiritual anchor for Group employees and the entire SECOM Group, and the SECOM Group Code of Employee Conduct, which governs the actions of employees around the world. SECOM's Philosophy emphasizes a refusal to be content with the status quo and a commitment to doing what is appropriate. The first element of the philosophy expresses our determination to offer innovative services and systems by challenging accepted norms, while the second calls for judging the legitimacy of our actions by examining whether they are just, fair and beneficial not only to SECOM but to

society as a whole. The SECOM Group Code of Employee Conduct is a compilation of standards developed based on business management know-how accumulated through interaction with a diverse range of customers over our history that must be observed by all SECOM Group employees regardless of job or rank.

By encouraging awareness of SECOM's Philosophy and adherence to the SECOM Group Code of Employee Conduct, we continue striving to foster a corporate climate and culture, as well as to motivate employees and encourage them to approach their jobs in a manner that is consistent with our commitment to doing what is appropriate. Through such efforts, we aim to ensure our ability to grow together with society and further enhance our corporate value.

Megatrends, the evolution of social imperatives and initiatives to promote future growth

Megatrends such as demographic change, technological evolution, increasingly severe environmental issues, and the shift of the global economic center and urbanization continue to drive the evolution of social imperatives, as well as to amplify uncertainties in our operating environment. Accordingly, we are working to create the *ANSHIN* Platform, a service infrastructure designed to provide services that deliver seamless peace of mind to anyone and everyone, whenever and wherever necessary, guided by the SECOM Group's Vision for 2030, which is to be a company that is capable of delivering enduring peace of mind in an ever-changing society by keeping abreast or where possible ahead of the times. In May 2018, we devised the SECOM Group Road Map 2022 to clarify the principal challenges we must address by the fiscal year ending March 31, 2023, to achieve this vision, namely, technological advances and a declining labor force.

The SECOM Group Road Map 2022 calls for focused, forward-looking investments in systems and human resources, that is, in initiatives aimed at leveraging advanced technologies and ensuring SECOM remains the choice of

promising human resources in the fiscal years ended March 31, 2019 and 2020, with the resulting increase in costs and expenses expected to have an impact on income of approximately ¥10 billion annually.

Investment in systems centers on building next-generation security service core systems, as well as on introducing artificial intelligence (AI), the Internet of Things (IoT) and robotic process automation (RPA). By developing new systems through such investments, we will seek to boost operational quality and efficiency, as well as to improve capital efficiency. At the same time, we are also pursuing a strategy of collaboration, which emphasizes working with partner companies who share our philosophy. Initiatives such as SECOM Open Lab enable us to capitalize on proposals for technological development and business collaboration from partner companies in Japan and overseas in the development of various SECOM products and services. In December 2019, we established the SECOM DESIGN FACTORY brand, which will be used for collaborative projects that seek to accelerate growth and the creation of customer and social value.

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Investments in human resources centers on active efforts to secure individuals with the high-level technical skills necessary to work in IT, which will be key to our future growth, as well as individuals with the skills necessary to propel the expansion of our overseas businesses. We are also investing to reinforce

our recruitment of frontline staff, as well as to raise employee satisfaction, including through the creation of positive work environments, to bolster our competitiveness in the security services and other businesses.

Initiatives in the period under review and ongoing investments in growth

To achieve the goals of the SECOM Group Road Map 2022, we continue to actively take advantage of new technologies and know-how to create and provide high-value-added services. In the fiscal year ended March 31, 2020, our efforts centered on expanding remote monitoring services that assist with care for seniors living alone, reinforcing our BPO and ICT services business, strengthening our overseas operations and improving productivity, making significant strides on all four fronts.

Recognizing that needs for assistance with care for seniors living alone vary depending on age group and family structure, we added a number of new selections to our lineup of remote monitoring services. In addition to our mainstay SECOM Home Security and SECOM My Doctor Watch, available as an option to SECOM Home Security subscribers, we began offering the SECOM Senior Care Phone Service, an emergency monitoring service that combines emergency medical alert, health consultation and safety confirmation functions, and *Mago Channel* with SECOM, a new service that encourages communication with parents living apart while providing unstructured monitoring. Looking ahead, we will further cultivate demand from individual subscribers by creating and introducing innovative services that make use of domestic and overseas technologies.

To reinforce our BPO and ICT services business, we actively proposed such services to security services subscribers in line with our abiding resolve to extend distinctly SECOM services that deliver safety and peace of mind. With the increased use of advanced digital technologies and cloud-based services—as evidenced by, for example, the financial services industry's

expanded use of financial technology (“fintech”), which utilizes AI, IoT and other information technologies (IT)—we sought to enhance our services to accommodate increasingly diverse data center needs. To this end, we opened new data centers in Japan's Kansai region. Anticipating that many companies will accelerate efforts to make use of cloud-based and other external systems, we also resolved to enlarge our data center in Tokyo, with new facilities scheduled to come online in 2025. We will continue to expand our data center business, recognizing the importance of disaster-resistant data centers as key components of a robust, resilient social infrastructure.

As Japan's labor force continues to decline, the need to realize meaningful work style reforms and improve employee productivity will remain common themes for companies in all industries. Against this backdrop, we expect our BPO services business to continue seeing stable growth. Accordingly, we are stepping up the use of advanced technologies with the objective of offering distinctively SECOM BPO services that deliver safety and peace of mind and in so doing respond to demand arising from the need to rely on others, helping customers implement work style reforms and address the challenges of a shrinking labor force.

Unlike in Japan, the population of which is expected to continue shrinking, we expect our businesses in overseas markets to see high growth. We are thus taking strategic steps to strengthen our overseas operations with the goal of boosting business in overseas markets to 10% of consolidated revenue, up from the current level of approximately 4%. The

first of these was to launch projects in the PRC and Thailand aimed at developing systems suited to local needs that incorporate advanced technologies. In the PRC, we established an innovation center in Shanghai where young employees play a central role in advancing the creation of new services, working in collaboration with local companies. In Thailand, we launched home security services and are formulating growth strategies based on meticulous market research. Going forward, we will explore ways to effectively apply know-how gained through these projects to efforts to expand our operations in other countries and territories.

To improve productivity, we are advancing initiatives that reflect our belief that for SECOM digital transformation (DX) means leveraging data and digital technologies to resolve issues challenging companies and society at large. These include capitalizing on AI and fifth-generation (5G) mobile communications technologies to increase customer value and promote the active development and provision of innovative services and products that enhance the efficiency of frontline business processes. We are also introducing programs that make use of virtual reality (VR) technologies into in-house training for frontline staff to improve safety and skills.

Thriving in a new normal

We continue to operate in an environment rocked by the evolution of social imperatives, driven by megatrends and increasing uncertainties. Conditions have been further complicated by COVID-19, which has brought fundamental changes to society, including business practices, consumer behavior and work styles. With many of these changes likely to remain even after the pandemic has eased, companies must respond effectively to survive and thrive in what is emerging as a “new normal.”

Because our business portfolio is dominated by on-line security systems and other recurring revenue-based businesses, the impact of COVID-19 on revenue over the short term has been relatively minor. We have also

On another front, we are advancing the use of digital tools by upgrading our administrative IT systems and reviewing diverse business processes to raise operating efficiency and optimize costs. We have formulated an investment and execution plan under which we are gradually introducing new systems and achieving greater operational efficiency. This effort is spearheaded by our newly integrated and fortified corporate headquarters' information systems department. Reviews of business processes are conducted by managers in each department, who are tasked with identifying issues and taking ownership thereof, thereby improving employee awareness.

We are also working to improve productivity in the administration of SECOM Group companies. Having established solid communications with individual CEOs and managers, we are promoting the delegation of authority for day-to-day management, respecting each company's strategies while facilitating agile, effective management of the Group as a whole. In addition, we are promoting personnel exchanges within the SECOM Group and other initiatives aimed at strengthening efforts to improve Groupwide competitiveness.

succeeded in minimizing the impact on our provision of services. That said, the current crisis has given us a renewed awareness and we have embarked on a review of measures implemented with the aim of achieving further improvements. For example, our sales efforts center on face-to-face interaction and close personal attention to customers; however, once a state of emergency had been declared in Japan we had no choice but to refrain from face-to-face contact. This experience has prompted us to seek ways to create an even more stable business model by promoting the development of products that do not rely on face-to-face sales and building an organized, proposal-based sales configuration that makes effective use of IT. We are also

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leveraging experience gained through the promotion of teleworking and efforts to upgrade and further digitize our administrative IT system.

At the same time, new business practices and consumer behavior are creating new market needs and opportunities for us to contribute to society. For example, the need for security for offices has risen, owing to increases in the number of hours during which offices are empty or only minimally staffed because of efforts to rotate work schedules and disperse staff over multiple locations. In addition, with a greater number of around-the-clock convenience stores shifting to shorter working hours, needs for security systems with monitoring for intruders, refrigerated storage malfunctions and fires is outpacing that for security systems designed for stores that are always open, which center on emergency alerts and surveillance cameras. Given the higher risk of infection with cash, cashless payment is becoming more widely accepted, another trend that we must address.

In the market for home security services, requests that people refrain from traveling and other factors made it difficult to visit parents and other family members living apart, underpinning rising demand for services that assist with care for seniors living alone. With more people working at home and attending online classes, we anticipate greater demand for more functional home security, as well as new demand for services that facilitate the secure online ordering, delivery and receipt of food and other daily necessities.

In the area of BPO and ICT services, we are seeing growing demand for contact center services. In addition, the growing prevalence of telework is driving up needs for

cloud-based services that ensure safe and secure operations. These include employee attendance management and safety confirmation services, services that fortify information security and services that facilitate the digitization of documentation.

In medical services, we saw the launch of online diagnostics, an idea that had somewhat stalled for several years. We expect the expansion of telemedicine using advanced ICT to contribute substantially to society in the years ahead.

Although many measures implemented in recent months were initially designed to curb the spread of COVID-19, recognition of the practicality and efficiency of new work arrangements has grown thanks to rapid advances in digitization and the use of ICT. This trend underscores expectations that new forms of economic and social activity and new lifestyles will emerge and represents the seed of a wave of significant social change that has overtaken us in recent months.

Major disasters such as the COVID-19 pandemic can cause anxiety and distress for homes, individuals, companies and society as a whole, driving a desire for greater safety and peace of mind. Our business is built on the commitment and efforts of each and every SECOM employee to remain close to our customers and provide services that respond to their needs, an approach that continues to earn customers' trust. We believe that we have a mission and a responsibility to stand at the forefront of this wave and play a vital part in promoting social change.

are committed to delivering satisfaction and inspiration that exceed customers' expectations. To bolster employees' motivation, we endeavor to encourage a managerial mindset, that is, to foster employees who understand our mission and are capable of forming judgments and acting

independently. To this end, we seek to maximize employees' capabilities and encourage them to fulfill their potential by creating a virtuous circle rooted in employee job satisfaction and stepping up the promotion of initiatives in line with our Tri-ion initiative, which seeks to ensure that SECOM's Philosophy fully penetrates every aspect of our operations.

Our core business is security services. As such, we recognize the importance of governance, of each and every employee discharging his or her duties in good faith and in keeping with the spirit of related laws. We thus view compliance as an integral component of our day-to-day operations. All employees are required to act in accordance with the SECOM Group Code of Employee Conduct and the Behavioral Guidelines Based on SECOM's Philosophy and to ensure compliance. Maintaining confidentiality is also critical to the provision of security services. We have established a policy and rules for the handling of various types of information that are applicable to all SECOM employees and promote the scrupulous protection of data and information. We work actively to reinforce our corporate governance system, recognizing that a robust configuration is crucial for related measures to have teeth. We are also taking steps to increase the diversity and effectiveness of our Board of Directors, including appointing a female outside director.

We believe that protecting the environment is essential to our ability to attain our goal of delivering security and supporting comfortable lifestyles. We thus incorporate environmental conservation into all of our business activities. For example, because we provide on-line security system equipment to security services subscribers on a rental basis, we are able to collect all installed equipment after use, recycle what can be repaired and reused, and appropriately dispose of what cannot, a zero-resource waste business model that dates back half a century. In our security services business, which uses a significant number of service vehicles, we largely completed the planned introduction of fuel-efficient vehicles. Going forward, we will upgrade to next-generation fuel-efficient vehicles with a reduced environmental impact. In our data center business, which uses a considerable amount of electric power, we have set medium- and

long-term targets for the reduction of greenhouse gas emissions. These initiatives earned designation by the Tokyo prefectural government as a business demonstrating particular excellence in the implementation of initiatives to counter global warming. Seeking to further our goal of helping to achieve sustainability for society, in July 2019 we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), pledging to adhere to the TCFD's framework for companies to disclose the financial impacts of climate changes on their businesses.

Our day-to-day business activities, into which we incorporate consideration for the expansion of business opportunities and the reduction of business risks, are structured to both facilitate sustainable growth and resolve ESG-related issues. To phrase it another way, we believe that increasing corporate value by expanding our business activities directly improves our ability to address ESG-related issues, which in turn enables us to contribute to the achievement of the United Nations' Sustainable Development Goals (SDGs).

In line with our basic policy of contributing to society through our business activities, and the fact that judging our actions are beneficial to society is the foundation of everything we do, we are committed to providing services and conducting our operations in a manner that helps realize a safe and secure society to pass down to our children and grandchildren. These efforts have earned solid marks, evidenced by the fact that SECOM has been selected as a constituent of all four ESG investment indices for Japanese equities used by Japan's Government Pension Investment Fund (GPIF).^{*} Looking ahead, we will continue working to enhance our provision of ESG- and sustainability-related information to our diverse stakeholders.

^{*} The four indexes used by the GPIF are the FTSE Blossom Japan Index, the MSCI Japan ESG Select Leaders Index, the MSCI Japan Empowering Women Index (WIN) and the S&P/JPX Carbon Efficient Index.

Promoting environmental, social and governance (ESG)-related initiatives

Since our establishment, we have sought to fulfill our responsibility to society through our business activities, acknowledging the importance of sustainability for ourselves and for society. The key to our efforts to further enhance corporate value is having human resources who

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The challenge of creating new value

Operating in an environment characterized by significant upheaval, dramatic change and rising uncertainty, compounded by the unpredictable impact of COVID-19 on global economic and business conditions, we will continue working to extend services that deliver seamless peace of mind. To fulfil this mission, ongoing investment will be critical. During the investment phase of the SECOM Group Road Map 2022, we actively promoted focused investment in systems and human resources. Currently, we have a number of promising potential investments under consideration. Accordingly, beginning in the fiscal year ending March 31, 2021, we will explore priorities while continuing to promote investments in efforts to reinforce our operating foundation, as well as in growth. This will require us to secure sufficient capital assets.

We will continue working to improve corporate value by adhering to SECOM's Philosophy with the aim of responding to the expectations of our shareholders by maintaining a stable dividend payout ratio of between 40% and 45%, as set forth in the SECOM Group Road Map for 2022. In promoting such initiatives, we will remain aware of our ultimate goals of achieving the SECOM Group's Vision for 2030 and realizing a society free from concerns by tirelessly pursuing innovation in our services.

The Olympic and Paralympic Games Tokyo 2020 have officially been rescheduled and will now begin on July 23, 2021. We are committed to preparing ourselves even better to contribute to the success of the games next year.

We look forward to the ongoing support and guidance of shareholders in all of our endeavors to expand and enhance the operations of the SECOM Group.

June 25, 2020



Makoto Iida
Founder



Yasuo Nakayama
Chairman and
Representative Director



Ichiro Ozeki
President and
Representative Director

Responding to COVID-19

An effective crisis management system that protects customers and employees

We extend our deepest sympathies to everyone who has been affected by the COVID-19 crisis and our gratitude to medical professionals and others who are working at considerable danger to themselves to help curb the spread of the pandemic.

The Basic Policies for Novel Coronavirus Disease Control published by Japan's government designates our medical, security, building maintenance, data center and insurance services, among others, as social infrastructure necessary for safety and security and requested their continuation even while the country was under a state of emergency. Against this backdrop, we believe that the greatest contribution we can make to society is to do our utmost to maintain services at the maximum level possible while keeping the number of clerical staff and sales people working onsite to the minimum level necessary. In addition, the doctors, nurses and other staff at our 20 partner hospitals in Japan and Sakra World Hospital in India are among the many medical professionals who continue to work in extremely harsh conditions around the world to treat patients and suppress transmission.

In response to the spread of COVID-19, in March 2020 we established a COVID-19 headquarters and immediately put in place a number of measures, including taking employees' temperatures before they began work, mandating gargling and the wearing of masks, installing alcohol-based hand sanitizer stations, staggering commutes and introducing telework. We have also created a Groupwide framework for ensuring business continuity under a state of emergency and taking necessary measures to help prevent the further spread of infection, including conducting daily employee health checks and further expanding use of telework arrangements, placing our highest priority on ensuring the safety of our customers and our employees.

In our International Business Division and at our overseas subsidiaries, we have established the COVID-19 Risk Response Committee with the aim of protecting the health of overseas employees, maintaining business continuity and helping prevent the further spread of infection. To ensure the safety of employees from Japan assigned to overseas posts, we actively gather information on the spread of the pandemic in each country and territory, including local government measures. Where necessary, we allow these individuals to return to Japan temporarily, providing support for them during mandatory quarantine when they enter the country and ensuring they have access to the necessary medical care. To ensure business continuity overseas, we have identified critical operations and formulated business continuity plans (BCPs) tailored to the risk level in each location. To date, this has enabled us to maintain uninterrupted services.

Although Japan's state of emergency has been lifted, we continue to promote stringent measures to curb the spread of COVID-19 in compliance with government guidelines. These include reducing face-to-face contact as much as possible, providing services as appropriate given local conditions while not causing customers untoward trouble, in line with our abiding commitment to providing services that deliver safety and peace of mind and make life more comfortable and convenient.