

Through 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, we continue working to address increasingly diverse and sophisticated social imperatives, as well as to ensure sustainable growth and enhance corporate value.



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Founder



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President and Representative Director

Consolidated Operating Results

In the fiscal year ended March 31, 2018, the Japanese economy remained on a gentle upward trend, sustained by improved corporate earnings and employment levels, as well as by a recovery in consumer spending. However, uncertainties persisted regarding, among others, policy shifts in the United States, the economic outlook for the People's Republic of China (PRC) and emerging economies, a lack of clarity around the United Kingdom's exit from the European Union, and the impact of geopolitical risk. These factors, together with the influence of fluctuations in the financial and capital markets, continued to warrant caution.

Against this backdrop, we continued to press forward toward the realization of 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. Efforts continued to concentrate on responding to the needs of customers through the provision of high-grade services and systems in our security services, fire protection services, medical services, insurance services, geographic information services, BPO and ICT services, and real estate and other services businesses.

Bolstered by a solid performance in the security services and fire protection services segments and the addition of results for new subsidiary TMJ, Inc., consolidated on October 2, 2017, consolidated net sales and operating revenue in the period under review rose 5.0%, or ¥51.5 billion, to ¥1,082.8 billion. Operating income increased 9.7%, or ¥12.7 billion, to ¥142.8 billion, bolstered by higher net sales and operating revenue in six segments, including security services. Despite a decline in gain on private equity investments, the increase in operating income pushed net income attributable to SECOM CO., LTD., up 5.7%, or ¥5.2 billion, to ¥96.6 billion.

Enhancing Returns to Shareholders

Seeing 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 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, 2018, the payment of a year-end dividend of ¥80.00 per share was approved. As a consequence, dividends for the full term, which also include an interim dividend of ¥75.00, amounted to ¥155.00, up ¥10.00 from the previous fiscal year.

Understanding and Responding to Change

Operating in an environment characterized by dramatic change and mounting uncertainty, we recognize that ensuring sustainable growth and accelerating the realization of our Social System Industry vision will depend on encouraging a managerial mindset among all employees, that is, on fostering employees who share SECOM's Philosophy and have the ability to form judgments and act independently. To bolster the functioning of this managerial mindset, we continue to promote a fair and impartial organization that ensures a free and open corporate culture. We are also working to maximize employees' latent capabilities and inspiring them to fulfill their professional ambitions by creating a virtuous circle rooted in employee job satisfaction, understanding that motivating employees to create and provide superior offerings enables us to extend services that exceed the expectations of customers, which in turn enhances customer satisfaction and society's trust of SECOM as a company. This, in turn, drives employees' efforts to create and provide even better services.

In May 2017, we formulated the SECOM Group's Vision for 2030, a long-term plan to guide the SECOM Group through 2030, and set forth 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. This infrastructure seeks to alleviate problems and resolve concerns by responding to the increasingly diverse needs of individual customers through the seamless provision of services that deliver enduring peace of mind whenever and wherever necessary. Guided by our vision of a society free from concerns, over the past year we have collaborated with partners in industry, government and academia that have the same mission to advance initiatives aimed at addressing social imperatives and creating new services and systems.

In the fiscal year ended March 31, 2018, employees in our seven businesses—security services, fire protection services, medical services, insurance services, geographic information services, BPO and ICT services, and real estate and other services—promoted a variety of ambitious efforts, working with diligence and a high sense of purpose, as well as with autonomy and a common understanding of the vision we have outlined for SECOM in 2030.

In our commercial security services business, we reported an increase in contracts for our on-line security systems, as well as for static guard, cash collection and delivery, and other services, reflecting our ability to respond effectively to customer needs. SECOM LX, which combines on-line security with access control functions to help customers manage personnel efficiently, thereby reducing costs, helps companies objectively ascertain employees' working hours and address the issue of overwork, a key social imperative in Japan. Demand remained firm for SECOM LX, as well as for SECOM AX, a remote imaging on-line security system featuring advanced image recognition technologies, and SECOM FX, which combines on-line security with facility control functions.

In the area of security services for large-scale events, we recently commenced the full-scale provision of 3-Dimensional Security. This service begins with SECOM 3D Security Planning, which uses high-precision 3D maps to support the formulation of an optimal security plan, and encompasses the latest security services—including surveillance from above using the SECOM Airship or SECOM Aerostat dirigible and on the ground using temporarily installed security cameras, wearable cameras and the SECOM Drone Detection System—combined with security guards. These various services are coordinated by a vehicle-mounted On-Site Center,

a mobile monitoring base that gathers and disseminates information, thereby supporting the safe and secure staging of large-scale events.

In April 2018, we concluded an agreement to acquire 80.1% of the outstanding shares of common stock of Toshiba Security Guard Corporation (TOSEC) from Toshiba Corporation. Going forward, we will endeavor to leverage TOSEC's wealth of experience and extensive know-how in the provision of static guard services for plants and other large-scale facilities to further grow our commercial security services business by developing and extending high-value-added services that go beyond static guards to underpin the safety and security of customers' production capabilities.

In the home security services market, in July 2017 we launched SECOM Home Security NEO, a flexible system suited to diverse modern lifestyles that can be connected to various devices. Concurrently, we released the SECOM My Doctor Watch, an emergency medical alert and health management service centered on a wearable wristband tracker, which can be used with SECOM Home Security NEO. In December 2017, we commenced sales of a second new service, SECOM *Anshin* Home Delivery Box, which facilitates the safe delivery of packages whether the recipients are at home or not, an offering developed to respond to the rising need for redelivery to recipients who were not at home to collect their packages the first time, which has become somewhat of an issue in Japan.

Overseas, we continued working to expand the provision of SECOM-style security services, a term we use 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. In the period under review, our efforts concentrated on the growing economies of Southeast Asia and the PRC. Achievements included the formation of a strategic partnership with a major electric appliances manufacturer in the PRC aimed at cultivating the local market for home security services. Elsewhere, subsidiary Secom plc in the United Kingdom won the CCTV System of the Year Award in the International Fire and Security Conference (IFSEC) Security and Fire Excellence Awards 2017, garnering praise for the quality of the system's products and services.

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 to leverage their respective business foundations and product development capabilities to address the needs of diverse customers, bolstering orders for fire protection systems.

Efforts in our medical services business continued to focus on Home Medical Services, which comprise home nursing and pharmaceutical dispensing services, as well as on the operation of residences for seniors, the provision of electronic medical reporting systems, sales of medical equipment and pharmaceuticals, personal care services and support for associated hospitals.

In our insurance services businesses, sales of distinctive non-life insurance policies expanded favorably. These include MEDCOM, an unrestricted cancer treatment policy that covers all treatment costs, and fire insurance policies that extend discounts to subscribers who have installed on-line security systems, recognizing this as a risk-mitigating factor.

Our geographic information services business centers on the collection of geographic data from commercial satellite images, aerial photography, and vehicle/ground and other types of surveying, which we integrate, process and analyze to provide geospatial information services to public sector entities—including national and local governments—and customers in the private sector. We also offer these services to government agencies in emerging economies. In the period under review, Group company Pasco Corporation continued working to fortify its data collection capabilities to further enhance the quality of the services we provide to address increasingly diverse and sophisticated domestic and overseas needs associated with, among others, the construction and maintenance of critical infrastructure and the prevention and mitigation of risks and disasters.

BPO and ICT services business encompasses the provision of data center, business continuity planning (BCP) support, information security, cloud-based services and BPO services. In October 2017, we acquired all shares in TMJ, which boasts extensive experience and know-how in the provision of high-grade contact center and other BPO services to a wide range of major companies. The addition of this company, now a consolidated subsidiary, will assist our efforts to fortify our capabilities in this area by, among others, enabling us to expand our safe and secure business support services.

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

Charting Sustainable Growth

Operating in a constantly changing environment, we remain committed to continuously reevaluating what SECOM must do to ensure our actions are just and beneficial, as well as to communicating our intentions to our stakeholders, as we work toward the achievement of our Vision for 2030. To this end, in May 2018 we formulated the SECOM Group Road Map 2022. Having identified technological advances and a declining labor force as priority issues, we will continue striving to address social imperatives and increase corporate value by anticipating the evolving needs of society. We believe that doing so will lead to major business opportunities, allowing us to contribute to improved social productivity.

Technological advances have brought an increase in the variety of connected devices. This is driving a variety of profound changes, including the realization of connected vehicles, moves toward unattended retail facilities and the expanded use of robots. In such an environment, safety and peace of mind are critical issues. We expect this to push up demand related to the need for security in a connected society. Owing to a declining labor force, we are seeing rising demand underpinned by the need to be able to rely on others. For companies, the need to reduce labor requirements is prompting an increase in the outsourcing of noncore functions, while for families the growing prevalence of two-income households is propelling demand related to care for children and seniors.

A Message to Shareholders

Over the next two years, which we have positioned as an investment phase, we will endeavor to reinforce our management foundation by making substantial systems investments aimed at, among others, upgrading core systems, and by promoting investments in human resources designed to strengthen our human capital. Through such forward-looking, focused investments, we will endeavor to leverage the latest technologies to derive maximum benefits, as well as to attract people who are adaptable to change, creative and keen to contribute to society. Human resources who share SECOM's Philosophy and thrive in a free and open corporate culture are priceless intangible assets and a vital source of our competitiveness. We will continue to capitalize on advanced technologies to maximize the capabilities of our employees, positioning us to drive bold service innovation and grow together with society. We will also promote forward-looking, focused investments in people and systems, thereby increasing our ability to make effective use of these intangible assets and positioning us to drive bold service innovation and cement our competitive edge.

In addition to focused investments, we will advance a personnel and organizational strategy, a business strategy that encompasses operations both in Japan and overseas, and a capital strategy. On the personnel and organizational front, we will step up efforts to hire and train human resources with outstanding expertise and experience, as well as to allocate human resources to growth businesses, to ensure a robust organization.

Our business strategy centers on hastening the implementation of measures in line with four concepts crucial to creating the *ANSHIN* Platform: "ALL SECOM," "Collaboration," "Connection" and "Enhanced value." In Japan, we will offer high-grade services that respond to growing demand related to security in a connected society and the need to rely on others. Overseas, we will expand operations in countries and territories where we have established a presence, as well as enter promising new markets. Our capital strategy includes allocating ¥200 billion for mergers and acquisitions (M&A) over the next five years, which we will use to invest in growth businesses. We will also seek to maintain return on equity (ROE) and to provide a stable and consistent return to shareholders, in line with our basic policy of ensuring a consistent and stable distribution of profits. In addition, we will work to maximize shareholder value and take steps to fortify and expand constructive and healthy dialogue with shareholders.

Through our efforts to realize the *ANSHIN* Platform, we remain committed to further strengthening our bond with society and to addressing diverse social imperatives. By thus reinforcing our relationship with society, we will continue seeking to move forward with society and achieve sustainable growth. We look forward to the ongoing support of shareholders in all of our endeavors.

June 26, 2018



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