The SECOM Group's Vision for 2030

2030 VISION *SECOM GROUP*

To accelerate the realization of our Social System Industry vision, in May 2017 we announced the SECOM Group's Vision for 2030, which positions 2030 as an important milestone and further defines our direction going forward. One year later, in May 2018, we formulated the SECOM Group Road Map 2022 to clarify the challenges we must address over the next five years to achieve this vision.
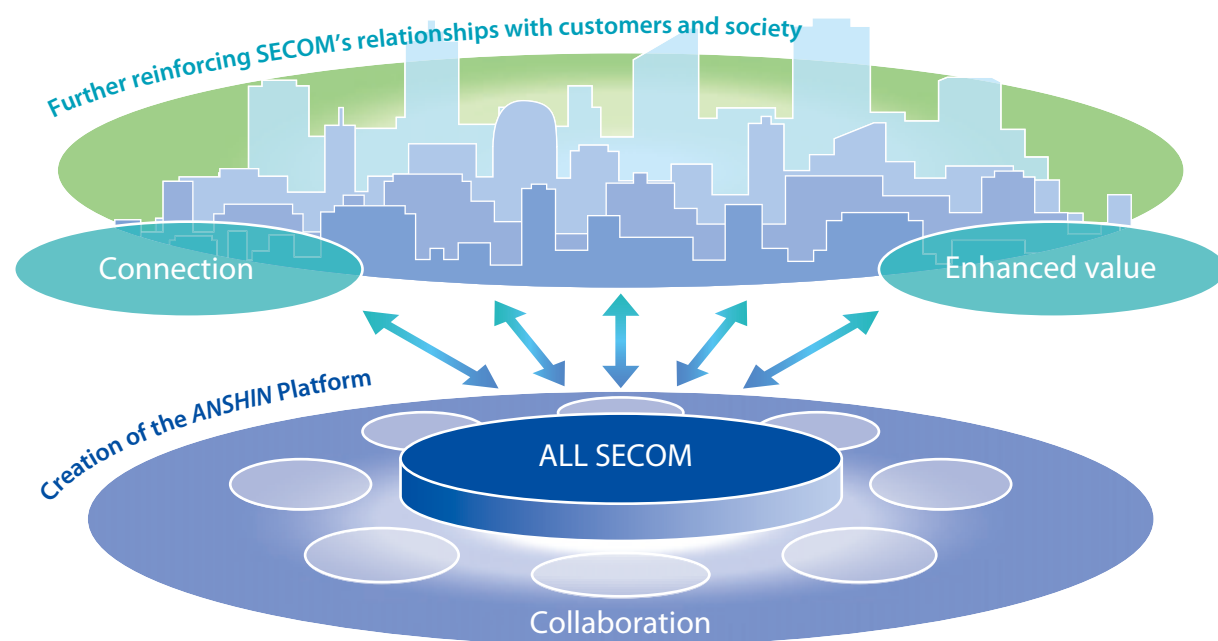
Conceptual framework of the *ANSHIN* Platform

As part of our vision, we are working to create the *ANSHIN* Platform, a service infrastructure through which we are striving to provide tailored services that deliver enduring peace of mind. Created in collaboration with partners in industry, government and academia who share our mission to help achieve a society free from concerns and have diverse technologies and expertise, this infrastructure is designed to provide peace of mind to people in their everyday lives, as well as to society as a whole. The *ANSHIN* Platform centers on three features, summarized as "peace of mind, whenever and wherever necessary," "peace of mind, for anyone and everyone" and "peace of mind, seamlessly."

The sort of ordinary, uneventful life we tend to think of as natural depends on safety and peace of mind. In other words, safety and peace of mind are essential to everyday life for all people. Crimes, accidents, disasters and illnesses happen when least expected. Making sure that you will be okay even in the event of misfortune is key to peace of mind. This is where the SECOM *ANSHIN* Flow comes in.

When an unanticipated crime or disaster occurs, the daily rhythm is interrupted. This is true for both companies and individuals. For companies, productivity can fall sharply. The greater the damage is, the longer it takes to restore operations. Society faces significant risks associated with crimes,

accidents, cyber attacks, natural disasters, illnesses and aging. In addition to recognizing the importance of routine advance preparation, we provide comprehensive services designed to address potential risks by helping companies accurately grasp conditions, minimize impact and achieve restoration. These four steps comprise the SECOM *ANSHIN* Flow, enabling us to provide enduring peace of mind.

Further reinforcing SECOM's relationships with customers and society

Connection · Enhanced value

Creation of the ANSHIN Platform

ALL SECOM

Collaboration

Strategies for creating the *ANSHIN* Platform

We are currently promoting initiatives in line with four core strategies with the goal of creating the *ANSHIN* Platform. The "ALL SECOM" strategy focuses on rallying SECOM Group strengths to maximize synergies, while our "collaboration" strategy, through which we seek to integrate business ideas

and technologies of various partners who share our mission. Our "connection" strategy emphasizes strengthening our relationship with our customers and society by leveraging Big Data analysis, which makes use of up-to-date information, to respond to latent needs, while our "enhanced value"

strategy focuses on addressing everyday concerns by adding greater value to services that make life more comfortable and convenient.

Targeting sustainable growth: Devising the SECOM Group Road Map 2022

We have identified technological advances and a declining labor force as priority issues in achieving the SECOM Group's Vision for 2030. For businesses and society, these issues can become threats if not addressed appropriately. We believe that anticipating evolving needs arising from these two issues will lead to major business opportunities, allowing us to contribute to improved social productivity. In this environment, we will seek to secure the latest technologies, as well as to ensure that we remain the first choice of talented human resources through forward-looking, focused investments in people and systems with the goal of creating a strong foundation, believing that doing so is the most effective way to accelerate growth as we work toward achievement of the SECOM Group's Vision for 2030. Accordingly, in May 2018 we used backcasting* to devise the SECOM Group Road Map 2022 with the intention of clarifying challenges we must address over the next five years to achieve our vision. We have thus positioned the road map as a cornerstone of the SECOM Group's Vision for 2030.

* Backcasting is a planning method that starts with envisioning a desirable future and working backward from there to identify steps necessary to attain that future.

■ **Addressing market needs arising from technological advances**

Rapid technological advances in recent years has brought an increase in the variety of connected devices. This is driving a variety of profound changes, including the realization of connected vehicles, the expanded use of drones and robots, moves toward unattended retail facilities and a cashless society, and the increasing popularity of smart homes, that is, homes equipped with wireless smart locks and smart speakers, among others. In an environment characterized by technological advances such as these, safety and peace of mind are critical issue and are expected to push up demand related to the need for security in a connected society, which involves the fusion of physical and cyber security.

■ **Responding to market needs arising from a declining labor force**

The other priority issue for many companies is a declining labor force, a consequence of efforts to bolster competitiveness by reducing labor requirements and promoting unattended facilities. With companies increasing the outsourcing of noncore functions, we are seeing rising demand underpinned by companies' need to be able to rely on others. In such a scenario, the impact of unexpected incident at a firm to which noncore functions have

been commissioned can extend as far as core operations. Needs for commissioned firms that deliver safety and peace of mind are thus expanding.

A declining labor force is also leading to an increase in needs related to care for children and seniors attributable to factors such as falling birthrates, the graying of Japanese society and the increasing prevalence of families in which both parents work outside the home.

We are capitalizing on our accumulated know-how in the provision of high-grade around-the-clock security systems and our highly secure data center, cyber security and cloud-based services. In October 2017, we welcomed TMJ to the SECOM Group, reinforcing our infrastructure for providing safe and secure BPO services. Recognizing growing demand related to the need to be able to rely on others as an important business opportunity, we will continue working to extend distinctive services that contribute to a significant improvement of social productivity.

■ **SECOM-Transformation**

Embracing the challenge of self-transformation—which we have dubbed "SECOM-Transformation"—we will embark on initiatives designed to leverage the latest technologies to derive maximum benefits with the goal of building

next-generation core systems and improving functions with a view to addressing rising needs. In addition, we will make investments to reduce labor requirements and enhance employee capabilities with the purpose of improving both service quality and productivity. We will also invest in artificial intelligence (AI), the Internet of Things (IoT) and robotic process automation (RPA), among others, to bolster operational quality and efficiency, as well as to drive R&D targeting innovative services and products that respond to needs

engendered by technological advances and a declining labor force.

Initiatives aimed at ensuring that we remain the first choice of talented human resources will center on actively seeking to attract people and to create positive working environments. To enhance motivation, we are planning investments designed to help employees fulfill their potential, including in the enhancement of our diverse training programs. We will also invest actively to ensure the competitiveness of our personnel, including seeking to attract high-mobility IT specialists and

individuals with global business skills; reallocating employees to high-growth businesses in which steps have been taken to improve efficiency and productivity; promoting diversity; rehiring experienced retirees; and introducing alternative working styles, including telecommuting arrangements and shorter working hours. Such investments will underpin critical capabilities that cannot be replaced with technology, notably our ability to respond to change, create value and secure human resources committed to social contribution.

will also seek to ensure a stable and consistent return to shareholders and to maintain ROE above a certain level. In addition, we will promote positive engagement with investors by sharing our policies regarding sustainable growth and the enhancement of corporate value over the medium to long term and by reinforcing and expanding opportunities for constructive, quality dialogue.

■ Targeting continuous, sustainable growth

We place a high emphasis on the sustainability of society and businesses. We see the expenditures targeting sustainable growth not as a cost but rather as investments that enable us to integrate changes in our operating environment into our operations over the long term. We are a company that has tirelessly pursued innovation in its services since its establishment. This comes from our

fundamental commitment to creating services that anticipate what society will need, rather than simply offering services that will sell in any market. This is why our ultimate priority will always be people and technology. We will continue to increase our ability to make effective use of these intangible assets, positioning us to drive bold service innovation and cement our competitive edge.

Strategies Under the SECOM Group Road Map 2022

■ Human resources and organizational strategies

Under the SECOM Group Road Map 2022, we will advance a variety of initiatives to strengthen our human resources and organization by increasing our employees' ability to deal with change and create value and by fortifying our organization's resilience and capacity for innovation. We will also promote the focused investment of human resources in growth areas by increasing operational efficiency and productivity. In addition, we will strengthen hiring and training, reinforcing efforts to secure and train IT specialists and individuals with global business skills. We will also promote shared services to improve profit margins and make more effective use of human resources and build an impeccable organization by further emphasizing SECOM's Philosophy to strengthen our risk management framework and corporate governance.

■ Business strategies

With the aim of creating the *ANSHIN* Platform, we will expedite the implementation of measures in line with the four strategic concepts of our vision for 2030 ("ALL SECOM," "Collaboration," "Connection" and "Enhanced value"). In Japan, we will extend high-grade services that respond to growing demand related to the need for security in a connected society. Of note, we will take proactive steps to advance three-dimensional security, enter the area of cyber security, expand into areas related to connected and other self-driving vehicles, and enhance the value of our home security services, including linkage with AI and IoT services.

In response to a declining labor force, we will address demand driven by the need to be able to rely on others by making use of drones and robots, strengthening our facility management, building management and supply chain management solutions capabilities, creating services for unattended retail facilities and a cashless society, developing health care services tailored to various lifestyles and providing new services for the personal monitoring market.

■ Capital strategy

Our strategy for making effective use of capital assets includes allocating ¥200 billion for M&A over the next five years, which we will use to invest in key growth business, namely, physical security, cyber security, BPO and ICT services and health care, as well as in venture companies with advanced technological capabilities. We

Overseas, we will focus on using investments to expand markets. We will also work to secure and train individuals with global business skills, actively hiring and expanding education and training for local staff. On the service front, in countries and territories where we have established a presence we will seek to capture demand arising from the outsourcing needs of financial institutions, expand systems integration services targeting the plant and building construction and infrastructure investment sectors, and expand collaboration with local partners to chart a full-scale entry into the markets for residential services. In countries and territories in which we do not yet have a presence, we will seek to establish operations in promising markets.

SECOM Group Road Map 2022
Forecasts for the fiscal year ending March 31, 2023 (Japanese GAAP) (Provided for reference only)

| Consolidated revenue: **¥1.1** trillion | Consolidated operating profit: **¥155.0** billion | ROE: **8**% plus | Dividend payment ratio: **40**%—**45**% |

Note: Figures do not reflect the impact of new M&As.

Consolidated revenue ■ Consolidated operating profit

Investment phase | High-growth phase

Consolidated revenue ¥970.6 billion
Consolidated operating profit ¥135.4 billion

Consolidated revenue ¥1.1 trillion
Consolidated operating profit ¥155.0 billion

CAGR (operating profit): 3.09%

CAGR (operating profit): Approx. 6.0%

2015 2016 2017 2018 2019 2020 2021 2022 2023 (Years ended/ending March 31)

Investment phase
- Invest in human resources
- Invest in systems

High-growth phase

Japan
- Leverage investments to introduce new services
- Promote more active collaboration with partners

Overseas
- Expand services in countries and territories where SECOM has a presence
- Actively establish operations in promising new markets