

## Business summary

Our security services business centers on the provision of on-line security systems, which includes the installation of sensors and other monitoring equipment and around-the-clock monitoring by a SECOM control center via telecommunications circuits. In the event an intruder, fire or other irregularity is detected, control center staff dispatch emergency response personnel from the nearest SECOM emergency depot and, if necessary, notify the police and/or fire department.

A key competitive advantage of our on-line security systems is our integrated service framework, whereby we take



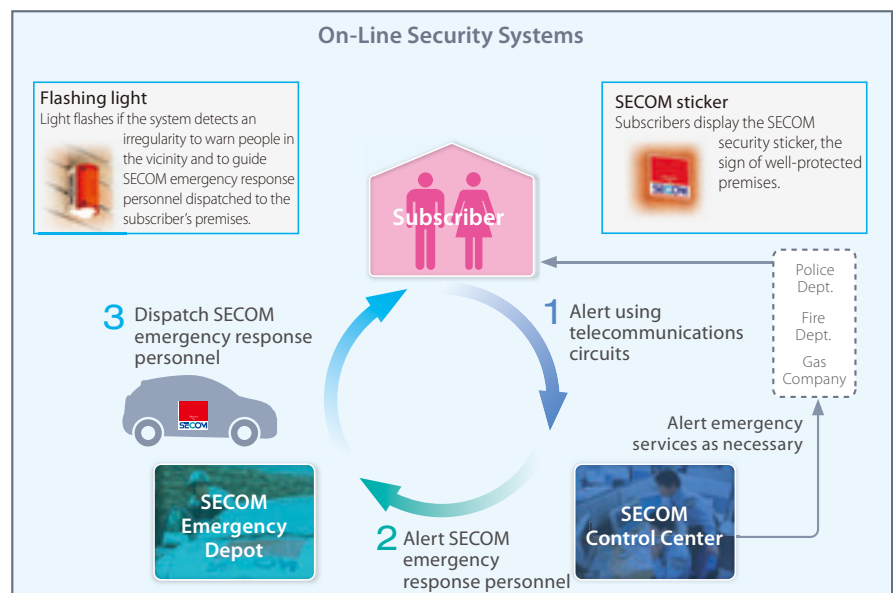
SECOM control center

responsibility for everything, including R&D, production, marketing, security planning, equipment installation, around-the-clock monitoring, emergency response services and maintenance, which ensures the exceptional quality and reliability of our services.

Our ability to provide integrated on-line security services derives from the three components of our operating foundation, namely, our technological prowess, human resources, and operational and control structure. To reinforce our technological prowess, the SECOM Intelligent Systems Laboratory conducts research in the area of core technologies, while the SECOM Development Center leverages these core technologies to develop new security systems. Our integrated service configuration allows the swift development of systems that respond to the requirements and views of customers. To foster human resources, we provide training for emergency response personnel, sales staff, administrative staff and other employees at four training centers across Japan. This enables us to equip employees with the advanced knowledge and technical skills they need and ensures

that they fully understand SECOM's Philosophy and observe a code of conduct befitting security professionals, yielding a robust service framework. Our operational and control structure centers on know-how and a wealth of experience built up since our establishment, which underpins the prompt decision making of control center staff and our nationwide network of 2,800 emergency depots, the largest in Japan.

We also principally use a rental format, whereby we retain ownership of security equipment and rent it to subscribers, an approach which minimizes initial costs for customers. This format means that we take responsibility for the maintenance and upkeep of security equipment, guaranteeing both the quality and stability of our services.



## Operating highlights

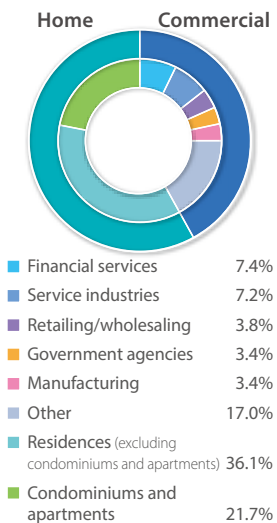
### Commercial security services

Capitalizing on our extensive lineup of on-line security systems, we work actively to respond accurately to the diverse security needs of companies in Japan. In the period under review, sales of on-line security systems to commercial subscribers continued to expand, led by high-value-added offerings. Customer needs in the area of static guard services and armored car services also remained high.

SECOM AX is a remote imaging on-line security system that employs sophisticated image sensors installed at the subscriber's premises to detect the presence of an intruder—even in the dark—and transmit an alert, together with images and sounds, to a SECOM control center. This enables control center staff to swiftly assess the situation and issue prompt and accurate instructions to emergency response personnel. Control center staff can also broadcast a verbal warning to the intruder using on-premises speakers to deter the commission of crimes.

### Contracts for On-Line Security Systems

(As of March 31, 2018)



SECOM LX, an on-line security system that combines monitoring for intruders and fires with access control functions, uses existing IC cards such as employee ID cards. Because recorded entry and exit data can be used for managing employee attendance and other purposes, SECOM LX helps improve the efficiency and lower the cost of personnel management.

SECOM FX, which is designed for unattended facilities and small offices, integrates monitoring for intruders and fires that can be set to, for example, turn lights, air conditioners, signage illumination and security cameras on and off at the subscriber's discretion, thereby helping to reduce consumption of energy and electricity. Looking ahead, we will continue working to develop and provide on-line security systems that respond to the varied needs of subscribers.



SECOM LX

### Security services for large-scale events

To support organizers' efforts to ensure the safety and security of large-scale events, we provide 3-Dimensional Security, which seeks to provide security over wide areas from both the ground and the air. 3-Dimensional Security begins with SECOM 3D Security Planning, which makes use of high-precision digital relief maps to prepare simulations, facilitating a firm grasp of potential risks and the formulation of an optimal security plan. With 3-Dimensional Security, images captured by temporarily installed security cameras, wearable cameras borne by security guards, and SECOM Airship and SECOM Aerostat dirigibles allow the swift and accurate assessment of event status in real time. This service also enables the event's On-Site Center mobile monitoring base to collect and integrate image data from multiple cameras, as well as to use image recognition and AI technologies to analyze suspicious circumstances and crowding, generating information that is then communicated to security guards on-site to support the safe and secure staging of large-scale events. Going forward, we will continue to develop and provide distinctive, sophisticated security services tailored to the requirements of such events.



On-Site Center

## ■ Home security services

In July 2017, we launched SECOM Home Security NEO, a new mainstay system in our home security services lineup that can be armed and disarmed remotely from a smartphone. The system also enables subscribers to receive alerts on their smartphone when the system is accessed by family members entering and leaving the home. Enhanced convenience continues to underscore steady growth in the popularity of this system. In addition to standard home security, including monitoring for intruders and fires and emergency alerts, and optional services such as medical emergency calls, monitoring for gas leaks and safety monitoring, SECOM Home Security NEO can be linked with devices on the IoT to facilitate use of a variety of new services. One of these is SECOM My Doctor Watch, an emergency medical alert and health management service based on a wearable wristband tracker. Offered as an option to SECOM Home Security subscribers, SECOM My Doctor Watch sends an alert if it senses no movement from the wearer regardless of whether he or she is inside or outside the home, notifying SECOM that assistance is required. The tracker also features fall detection, automatically sensing if the wearer has fallen due to a loss of consciousness or any other reason and alerting SECOM. SECOM My Doctor Watch's health management function includes a pedometer, sleep tracking and a calorie expenditure counter and enables the wearer to access advice regarding lifestyle improvements by smartphone.



SECOM Home Security NEO

A recent addition to our home security services lineup is SECOM *Anshin* Home Delivery Box, developed in response to the increasing volume of packages handled by couriers resulting from the increasing popularity of online shopping, and the rising need for redelivery to recipients unable to take delivery the first time, which have pushed up demand in Japan for secure delivery boxes. Connected to SECOM Home Security NEO, SECOM *Anshin* Home Delivery Box includes monitoring for unauthorized opening and emergency response services in the event of a break-in.

## ■ Other security services

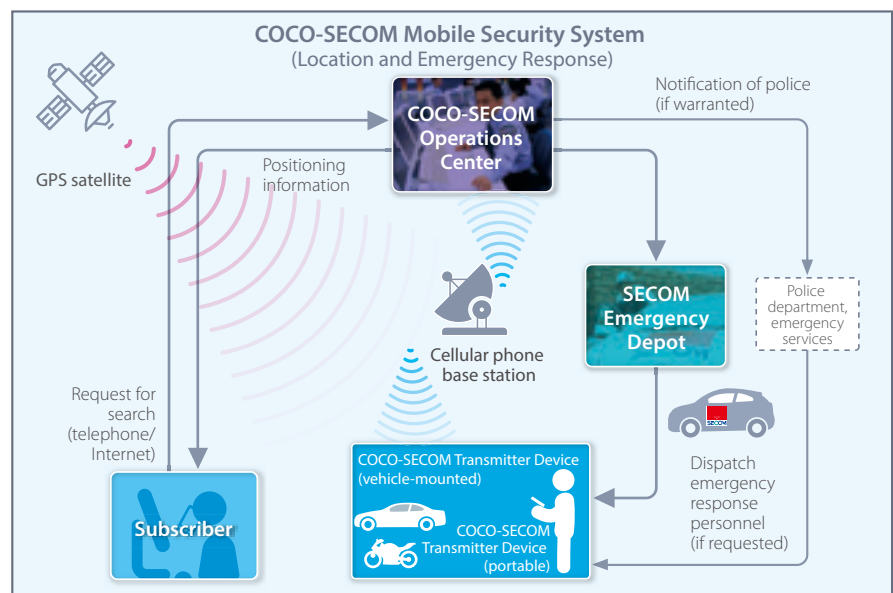
We have taken steps to expand the scope of COCO-SECOM, a mobile security system for outdoor use, in response to customer requests. COCO-SECOM uses signals from GPS satellites and cellular phone base stations to pinpoint the location of dedicated portable transmitters carried by individuals or attached to objects. If a customer wants to locate a transmitter, he or she can trace it via a dedicated website or by contacting the COCO-SECOM Operations Center. Upon receiving a search request from a customer,

operations center operators dispatch emergency response personnel and, if necessary, notify the police and/or emergency services. COCO-SECOM's ability to offer all of these services in a single system is its principal distinguishing feature.

Designed as a portable security system for individuals, COCO-SECOM was originally used to deter child abductions, as well as to track dementia patients who wander, as well as to prevent the theft of cars and motorcycles. Today, the system is also used to manage taxi and bus fleets, prevent the theft of construction equipment and ATMs, and manage employee safety.

## ■ Overseas security services

We made our overseas debut in 1978, when we established a presence in Taiwan. Today, our overseas business encompasses operations in 12 countries and territories. A distinguishing feature of our overseas security services is that we offer on-line security systems with SECOM-style services customized to reflect local needs and sensibilities. The services we provide overseas, which are of the same high quality as those provided in Japan, continue to earn praise from overseas



customers, as a result of which market acceptance is increasing steadily.

In the PRC, we currently provide security services to subscribers through a network of bases in 25 key coastal and inland cities. With the aim of cultivating demand for home security services, we recently entered into a strategic business alliance with a leading local electric appliance manufacturer.

Our affiliated companies in Taiwan and the ROK, both of which are publicly listed companies, provide a wide array of security services to local subscribers and continue working to expand their operations. In Southeast Asia, which continues to see economic growth, the efforts of Group companies are bolstering acceptance of SECOM-style on-line security systems in Thailand, Malaysia, Singapore, Indonesia, Vietnam and Myanmar. Group companies in Australia and New Zealand provide security services to major financial institutions and other customers, earning solid support from customers.

Subsidiary Secom plc provides security services to customers across the United Kingdom. Secom plc recently won the CCTV System of the Year Award in the International

Fire and Security Conference (IFSEC) Security and Fire Excellence Awards 2017.

We recognize that the desire for safety and peace of mind, as well as for comfort and convenience, is global. Accordingly, we will continue to encourage acceptance of SECOM-style services in the countries where we have operations, as well as to cultivate promising new overseas markets.

#### ■ Other new services

##### ● Newly developed robots that leverage distinctive robotics technologies (Secom Robot X2 and Secom Robot X3)

We began offering SECOM Robot X, developed as an alternative to security guards and Japan's first outdoor surveillance robot, in 2005. SECOM Robot X2, an updated autonomous version of this robot with an arm that contains infrared laser sensors, thermal imaging sensors and a metal detector, can move about freely both indoors and outdoors to inspect suspicious objects, garbage cans and other items. We recently completed development of SECOM Robot X3, which boasts security, route guidance and conversational abilities, among others, can move around

safely in crowds, and are working toward commercialization.

##### ● Launch of new SECOM Drone patrol and monitoring services

With the goal of providing more sophisticated, efficient security services for large-scale facilities, we recently began providing a new patrol and monitoring service employing the SECOM Drone to the Mine Rehabilitation Program Center, a private finance initiative (PFI) correctional facility. With this service, the drone is programmed prior to launch and flies a predetermined route, allowing confirmation by security office staff in real time. Surveillance from above using the drone's on-board camera eliminates blind spots, facilitating effective monitoring of rooftops and other high places, reducing work load. Image data can be stored, making it possible to confirm past images and leaving images as an official record/evidence, which will help improve security levels. Going forward, we will propose use of this service to a variety of large-scale facilities, including suburban shopping malls, plants and supermarkets.



IFSEC Security and Fire Excellence Awards 2017 ceremony

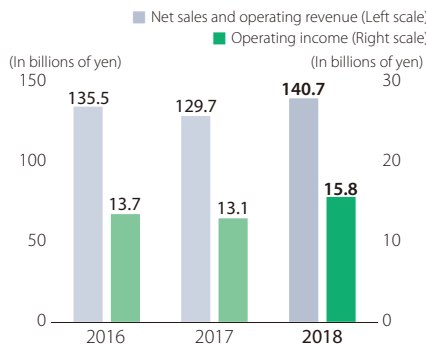


SECOM Robot X2



SECOM Drone patrol and monitoring services

## Fire Protection Services



### Operating highlights

Despite concerns regarding the impact of rising labor costs and trends in raw materials prices, the market for fire protection services remained firm, bolstered by a recovery in private-sector capital expenditures. Nonetheless, the evolution of society—including the deterioration of structures and infrastructure, and the evolution of cityscapes and buildings—is transforming the targets and nature of fires, bringing new challenges to the fire protection services industry. Seeking to address such issues, subsidiaries Nohmi Bosai and Nittan, two of Japan's leading fire protection services providers, sought to leverage their respective business foundations and product development capabilities to advance forward-looking sales aimed at expanding orders for advanced fire protection systems designed to protect lives and property.

In the area of automatic fire alarms, sales focused on securing profitable orders for alarms for new buildings. At the same time, with the deterioration of existing automatic fire alarm systems fueling orders in the renovations market, Nohmi Bosai and Nittan continue to draw on their solid track record and the solid trust of customers to actively

promote proposal-oriented sales efforts. In fire extinguishing equipment, large-scale orders remained steady.

### ■ Fire protection systems installed in expressway tunnels

In the period under review, Nohmi Bosai installed fire detectors, alarm panels and fire extinguishing and other equipment in the tunnels along a newly opened expressway in the Osaka–Kobe area. Nohmi Bosai, which has accumulated extensive experience in fire protection for tunnels, provides integrated services in this area that encompass system planning, installation and maintenance. The company continues to leverage its advanced technological capabilities and extensive know-how with the aim of expanding orders.

### ■ New research facility established to reinforce R&D configuration

Nohmi Bosai established a new facility dedicated to research in the area of fire detection and fire extinguishing technologies. The new research facility, dubbed Test Building “A”, boasts a spacious testing site for conducting hygrothermal and other specialized experiments, as well as a laboratory for International Organization for Standardization (ISO)-related and other testing. The new facility allows customers to view experiments assuming actual fire situations to demonstrate the effectiveness of fire protection equipment and is contributing to order growth.



Nohmi Bosai's new research facility

### ■ Providing fire protection systems for temples designated important cultural properties

Nittan provides specialized fire protection systems for Buddhist temples designated important cultural properties and for production facilities and industrial complexes that desire fire protection that exceeds the requirements set forth in Japan's Fire Service Act. With demand for such systems increasing, Nittan will continue to leverage its wealth of experience to respond to market needs.

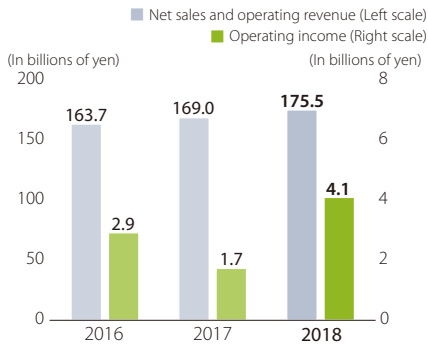
### ■ Operations in overseas markets see brisk growth

Nittan's subsidiary in the United Kingdom and production facility in Vietnam spearhead efforts to develop products that comply with Underwriters Laboratories (UL) and European Norm (EN) standards, which the company supplies to a variety of customers, including government facilities, banks, high-rise buildings and hotels, around the world. In the period under review, the company reported robust sales in the United Kingdom and in Southeast Asia. Of particular note, deliveries of SPERA and other UL standard-compliant fire detection systems were strong in Vietnam. Nittan has also established sales bases in the United Kingdom and Vietnam with the goal of further expanding sales.



Comprehensive fire protection systems installed at temple designated an important cultural property (Nittan)





## Operating highlights

In Japan awareness of the importance of medical care, nursing care and healthcare services continues to grow, pushing up demand for high-grade, sophisticated and diverse services. Believing that protecting the health and lives of people is a natural extension of our commitment to providing safety and peace of mind, we have created an extensive menu of medical services centered on home nursing, pharmaceutical dispensing and other home medical services.

Our mainstay home medical services business encompasses pharmaceutical dispensing and home delivery, which involves filling prescriptions, delivering medications, providing medical and hygienic supplies, and extending advice to patients. We provide home nursing services through a nationwide network of 35 visiting nurse stations. Our highly skilled visiting nurses visit homes to provide expert services under the direction of the patient's physician. In the period under review, sales in the pharmaceutical dispensing services business were robust.

This business also includes the operation of residences for seniors, electronic medical report services, sales of medical equipment, personal care services, the operation of a hospital in India

and support for affiliated medical institutions, all of which we continue to expand.

### ■ Secom Medical System becomes first designated facility for training for nurses pertaining to specified medical acts

In the period under review, Group company Secom Medical System earned designation by the Ministry of Health, Labour and Welfare (MHLW), becoming Japan's first private-sector facility for training nurses pertaining to specified medical acts\*. We continue to leverage our accumulated know-how in the area of medical services and our close ties with multiple hospitals to help nurture nurses who are leaders capable of specified medical acts and create work environments in which nurses can thrive with the aim of helping to further enhance the quality of medical care in Japan.

\*"Specified medical acts" is used to describe certain types of medical assistance (e.g., intravenous drips for dehydrated individuals and adjustment of artificial respirators) or dental assistance that can be performed by nurses based on directions given by, respectively, a physician or dentist.

### ■ Alive Yoyogi Oyama-cho residence for seniors opens

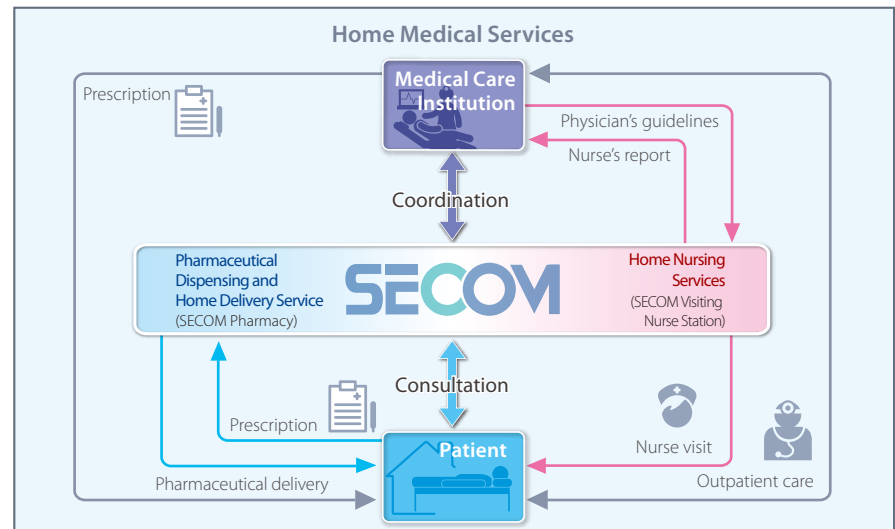
We recently opened Alive Yoyogi Oyama-cho, the 16th facility in our network of residences for seniors and nursing homes, in Tokyo's Shibuya

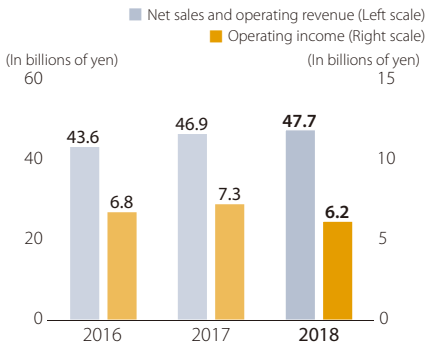
ward. This facility brings together our proprietary expertise in security and fire protection with our know-how in the provision of medical care and nursing care for seniors to provide a full range of nursing care services to residents.

Japan is currently promoting the creation of comprehensive community-based healthcare systems. We have concluded a "Shibuya Social Action Partner" with Shibuya's municipal government. Alive Yoyogi Oyama-cho was developed in line with this framework as a vital component of such a community healthcare system that supports efforts to ensure effective healthcare for local seniors. Going forward, we will promote interaction and collaboration between residents of the facility and a local university and university hospital with the aim of contributing to the realization of a community that contributes to peace of mind for all inhabitants.



Alive Yoyogi Oyama-cho





**Operating highlights**

In the non-life insurance market, the emergence of new risks affecting the activities of individuals and corporate entities arising from changes in the social structure is driving demand for high-value-added policies that respond to evolving customer needs. In this environment, we are promoting the development of distinctive insurance policies and to cultivate sales channels with the goal of reinforcing the foundation of this business.



Call center operated by Secom General Insurance

**Subscriptions to the MEDCOM unrestricted cancer treatment policy continue to grow**

MEDCOM is an unrestricted cancer treatment policy that features full coverage for all treatment costs, both those covered under Japan’s National Health Insurance (NHI) scheme and those for which the patient usually bears the burden. MEDCOM coverage also extends to outpatient treatment, an increasingly key component of cancer care, providing up to ¥10 million per five-year period. The policy’s extensive coverage, together with the fact that it enables subscribers to focus on treatment without worrying about the economic implications, continues to bolster subscriptions.

**Distinctive features of SECOM Anshin My Home and Security Discount Fire Policy**

SECOM *Anshin My Home* is a policy for residential customers that offers a discount on premiums for subscribers who have installed on-line security systems, recognizing that such systems reduce the risk of theft and fire. Security Discount Fire Policy is a similar policy for commercial customers who have installed on-line security systems in which premiums

are discounted to reflect the risk-mitigating benefits of such systems. We continue to see an increasing number of new subscribers for our on-line security systems choosing to also sign up for non-life insurance policies at the same time. As a consequence, subscriptions to these policies are expanding.

**SECOM Anshin My Car: Backed by support from emergency response personnel**

Another attractive product in our non-life insurance policy portfolio is SECOM *Anshin My Car*, an automotive insurance policy that includes around-the-clock access to on-site support by SECOM emergency response personnel in the event of an accident. This feature, which includes contacting the police and ambulance services and photographing the accident site, continues to earn high marks from subscribers.

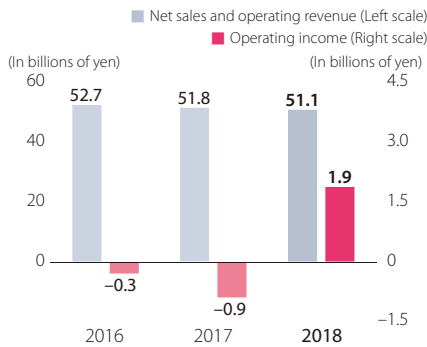


Secom General Insurance headquarters



SECOM *Anshin My Car* on-site support

## Geographic Information Services



### Operating highlights

Owing to factors such as the graying of society, a declining labor force and the increasing risk of natural disasters attributable to climate change, our operating environment continues to evolve, growing increasingly diverse and sophisticated. Subsidiary Pasco has built a portfolio encompassing ongoing and subcontracted businesses that centers on the visual representation, analysis and distribution of geospatial information. The company also employs a variety of next-generation tools, including AI and IoT, robotics and blockchain technologies, to increase the automation and sophistication of its services.

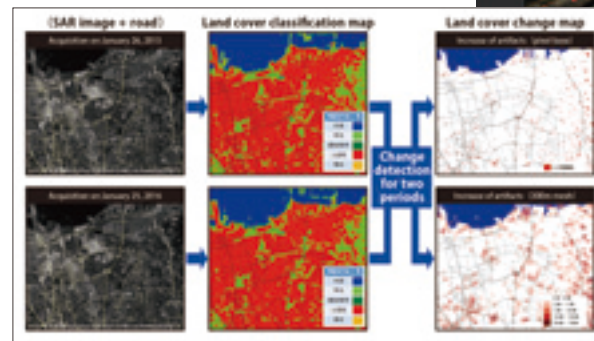
Pasco provides services to national and local governments and private sector customers in Japan, as well as to government agencies overseas. Services to national and local governments account for approximately 80% of segment net sales and operating revenue. Because deliveries to the public sector are generally clustered at the end of March, segment income follows a similar trend.

### AI-based urban change analysis map and parked vehicle estimation map services are launched

Pasco's new urban change analysis map service involves the application of AI technologies to synthetic aperture radar (SAR) satellite images to automatically detect urban change and map topographical changes. Mapping of manmade objects, deforested land, forested areas/trees together with spatial estimates and a chronological representation of changes enables users to gauge the speed of urbanization and forest depletion, among others, underscoring expectations for high demand from developing countries and emerging economies.

With a new parked vehicle estimation map service, AI technologies are applied to high-resolution optical satellite images\* to count the number of parked vehicles in a particular area. This service offers promise for use in measuring economic activity—by, for example, tracking the movement of vehicles for export in and out of harbor motor pools or the number of vehicles in the parking lots of large-scale retail facilities—and for adaptation to use in disaster situations to gauge the extent of damage by counting houses and other structures.

\*The resolution of images captured by optical satellites varies depending on the power of the satellite. The term "high-resolution optical satellite image" is generally used for images with a resolution of several dozen centimeters.



Urban change analysis map service

### New 3D data service introduced for the i-Construction program

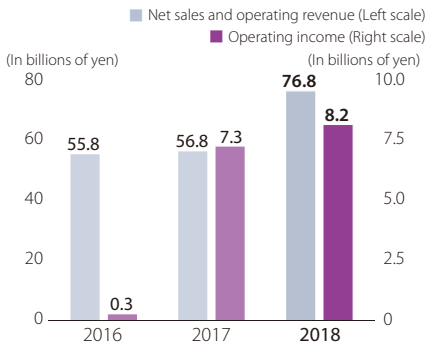
The i-Construction program was launched by Japan's Ministry of Land, Infrastructure, Transport and Tourism as an initiative aimed at deploying ICT in construction and civil engineering by normalizing standards and harmonizing procedures for projects, thereby helping overcome persistent labor shortages. This has led to demand for program-compliant services for the creation of 3D data for all processes, including advance surveying, planning, engineering and execution.

Capitalizing on its spaceborne, airborne, terrestrial and water area surveying capabilities, as well as its advanced data processing technologies, Pasco is able to provide consulting services that take into account the construction environment and the unique characteristics of items measured and maximize the benefits of 3D data. The scope of application for the i-Construction program has expanded to include transport and disposal of seabed/riverbed sediment, paving and bridge building. Accordingly, Pasco will take advantage of its 3D data service's measurement precision and ability to help ensure the safety of production sites to expand orders.



3D data incorporating images captured by drones





## Operating highlights

The risks to life and livelihood today are increasingly complex and include large-scale disasters, terrorism and cyber crime, as a result of which people feel a rising sense of unease. In the period under review, we maximized our expertise in the deployment of ICT technologies in the area of on-line security systems to bolster sales in the area of distinctive business continuity planning support services, which focus on data center services, as well as in information security and cloud-based

services. We also took steps to expand our BPO business.

### ■ Data center business

Our data center business, which is among the largest in Japan, enables subscribers to store data at a highly secure data center facility boasting outstanding security and a stable electric power supply that is accessed via a reliable network. In the period under review, these services continued to garner praise from both Japanese and foreign-owned subscribers.

### ■ Large-scale disaster preparedness services

We provide a variety of services that assist companies in preparing BCPs to ensure their ability to implement effective immediate response measures and promptly restart operations in the aftermath of a major disaster. The SECOM Safety Confirmation Service helps subscribers ascertain the safety of employees and their families in the event of an earthquake or other disaster or the failure of key infrastructure. This system has earned solid marks and is one of Japan's leading disaster management support services.

### ■ Information security services

To ensure preparedness against dangers such as disasters, targeted cyber attacks and system failures, we provide seamless services that ensure the security of our customers' information and systems, encompassing monitoring, response services and normalization.

### ■ Cloud-based services

Underpinned by our around-the-clock monitoring capabilities, we offer SECOM *Anshin My Number Service*, which enables companies to collect and securely manage their employees' My Number (personal social security and tax number system) information. Our cloud-based services also include the SECOM *Anshin Employee Attendance Management Service*, which facilitates the efficient management of time clock data, and the *e-Kakushin Schedule service*, which allows the automatic preparation of shift schedules, and SECOM *Anshin Health Check Service*, which supports the arrangement of annual employees health checks.

### ■ BPO services

In October 2017, we acquired TMJ, which provides high-grade contact center and other BPO services for leading financial institutions and other customers. Looking ahead, we will maximize TMJ's extensive experience and know-how to develop and provide safe and secure BPO services that respond to increasingly diverse market needs.

### ■ New services

#### ● Technologies provided for the digital storage of deposit and withdrawal slips

We are providing digital signature and timestamping\* technologies to regional financial institutions, which have sought to develop a system for the digital storage of deposit and withdrawal slips and other documents that must be submitted to the National Tax Agency, thereby helping such institutions to increase operating efficiency



SECOM data center facility

and reduce costs. We will continue working to provide solutions that assist a broad range of companies improve their business processes, focusing particularly on technologies for transforming documents into digital form.

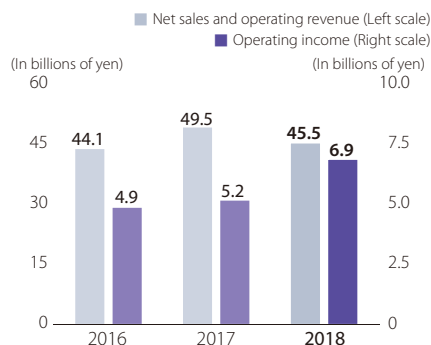
\*Timestamping verifies when a digital file was created (file creation timestamp) and when it was modified (last modified timestamp).

### ● Participation in new securities consortium

In January 2018, a securities consortium was formed in Japan as a cross-industry body the purpose of which is to conduct basic research in emerging technologies and create a common technological foundation for the industry as a whole. As a participant in this consortium, we will oversee the construction of an identity confirmation platform that leverages biometric authentication and other advanced technologies. This will increase the convenience of authentication procedures for individuals using securities companies' web-based services. In the future, the system may also be for authentication in other areas of securities' companies' businesses.

Making use of the extensive know-how in the issue and management of private keys that we have accumulated as certification authority, we also entered into a business alliance with a virtual currency exchange and began providing a global-standard secure virtual currency wallet\* service.

\* A system of managing virtual currency transactions that is crucial for virtual currency exchanges



### Operating highlights

#### ■ Real estate development and sales

With prices for land suitable for condominium development soaring, we faced ongoing difficulties in purchasing land for this business. Against a backdrop of persistent labor shortages, construction costs also peaked. In this environment, we continued to promote the development and sales of high-grade Glorio series condominiums with exceptional security and disaster-preparedness features, in line with our goal of providing living spaces that deliver safety and peace of mind. We also recently developed and launched the Glorio Comfort series of highly secure compact condominiums that maximize use of residential-use land. To take advantage of expanding demand for pre-owned condominiums, we



Glorio Residence Machida Nakamachi

commenced full-scale condominium renovation services. On another note, we opened secure condominium showrooms in Tokyo and in Kanagawa, Saitama and Chiba prefectures, enabling us to provide advice and proposals customized to the different life stages and needs of customers.

#### ■ Real estate leasing

We provide detailed, carefully tailored real estate leasing services, focusing on central Tokyo, to assist the business activities of diverse companies in various industries. In the period under review, revenue from real estate leasing declined temporarily, owing to changes in real estate held for leasing attributable to the sale of certain properties.

#### ■ Construction and installation services

This business encompasses a wide range of services, from the installation of air conditioning, plumbing, electrical and fire protection equipment, renovation and enlargement to design, construction and maintenance.

#### ■ Home services

SECOM Home Service is an optional suite of services available to SECOM Home Security subscribers with a diverse menu that enables us to tailor packages to customer needs. Services offered range from housework support to patrolling around subscribers homes when they are out.



SECOM Home Service