

SECOM's Core Competitive Advantages

We continue to leverage three core competitive advantages to deepen our ties with customers and ensure sustainable growth.

A high market share and a robust brand associated with safety and peace of mind

A pioneer in Japan's security services industry, we have continuously updated and evolved our services in line with social change over more than five-and-a-half decades since our founding, achieving steady growth as the industry leader and nurturing the SECOM name as a trusted brand.

An early opportunity for dramatic progress: The 1964 Olympics

SECOM was established in 1962 as Japan's first security company. At first, our services consisted of random patrols of subscribers' unattended premises at night and static guard services, whereby security guards are posted at subscribers' premises. In 1964, we secured the contract to guard the athletes' village at the Olympic Games in Tokyo. Thanks to our success in fulfilling this contract, recognition of the SECOM name improved greatly and our contract volume rose substantially.

Emerging as a pioneering provider of security services

In 1966, we developed the first on-line security system in Japan, SP Alarm. At the time, contracts for security patrol and static guard services rose steadily, but having recognized the superiority of SP Alarm and viewing on-line systems as the future of security services we eliminated our security patrol services and shifted our focus to SP Alarm. Although this dramatic transformation was not without its difficulties, our employees were united in their determination to broaden the popularity of on-line security systems and succeeded in achieving steady growth in contract volume.

In subsequent years, we succeeded in making on-line security systems available to a broad range of customers by extending high-grade services at appropriate prices through a national network. By maintaining a close proximity to the community, we ensured our ability to promptly grasp

customers' needs for safety and peace of mind and swiftly provide solutions, thereby enhancing our reputation for reliability. At present, contracts for our on-line commercial and home security systems number more than 2.29 million, and we continue to enjoy a significant share of the Japanese market. Our accumulated experience and know-how in the provision of safety and peace of mind to a diverse range of customers and the reputation we enjoy for reliability have contributed to the rise of SECOM as a powerful, valuable brand.



Securing the contract to guard the athletes' village at the 1964 Tokyo Olympics gave SECOM a significant boost



The well-known red SECOM sticker: Providing security and peace of mind across Japan

Securing human resources capable of building brand value

The goal of the security services business is to provide safety and peace of mind. A company's ability to offer high-grade services depends on having employees who are highly adaptable to change, able to create value and committed to contributing to society. Our reputation as the leader of Japan's security services industry and our outstanding growth potential position us well to secure and foster the talented human resources who will be responsible for providing our various services in the years ahead, allowing us to maintain an edge over the competition.

Since our establishment, we have also sought to ensure that all employees share SECOM's Philosophy, the unflinching foundation of everything we do, and to encourage them to personify the philosophy, recognizing employees as a vital source of our competitiveness. In recent years, we have promoted efforts in line with the Tri-ion Initiative*, which seeks to confirm that SECOM's Philosophy fully penetrates every aspect of our operations and that employees are able to act independently in a manner consistent with this Philosophy.

* For further information on the Tri-ion Initiative, please refer to page 27.

We remain committed to achieving a society free from concerns by providing widely accepted high-grade services that deliver safety and peace of mind. By refusing to be content with the status quo, we will continue to be critical to earning the trust of customers and increasing the value of the SECOM brand.

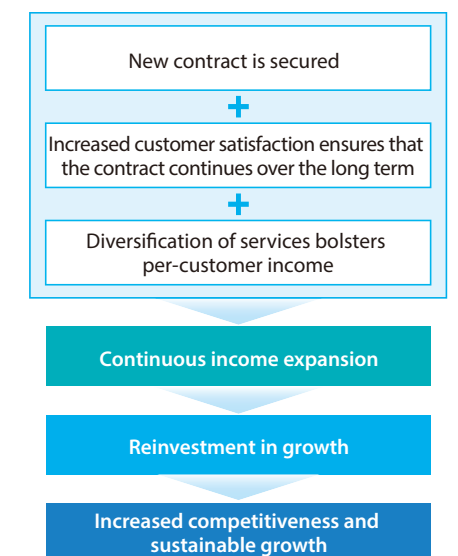
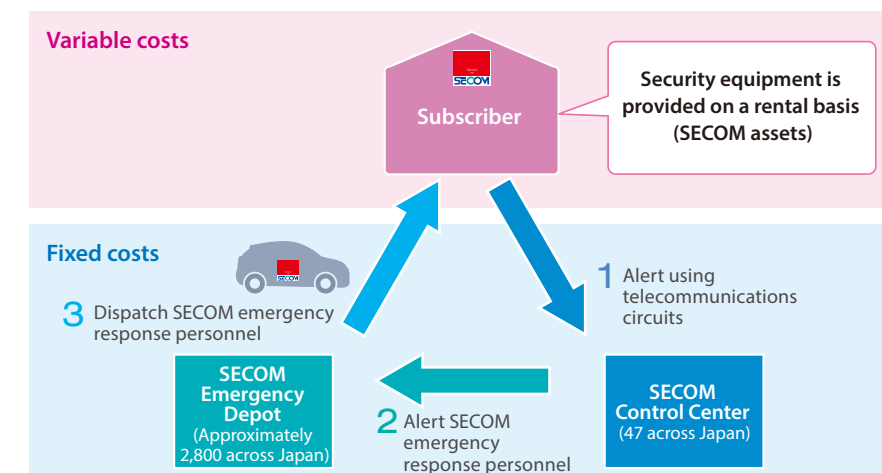
A recurring revenue-based business model that underpins sustainable growth

A distinguishing feature of our operating income is the fact that it is generated largely by long-term contracted services such as on-line security systems and other recurring

revenue-based businesses. As an example, the initial contract period for on-line security systems is five years, after which the contract is automatically renewed annually. To ensure

customers are content to leave contracts in place over the long term, all employees, from emergency response personnel to sales, technology and administrative department

Variable and Fixed Costs for On-Line Security Systems



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staff, work to increase customer satisfaction by providing services that exceed their expectations. We also have customer satisfaction staff, who visit customers in person to furnish useful information and gain feedback, which we use to incorporate into our unceasing efforts to improve systems and services and grasp latent needs.

Ongoing investment to reinforce competitiveness

Our ability to ensure the stable, reliable provision of on-line security systems is underpinned by a robust infrastructure centered on control centers, which monitor the status of subscribers' premises, the IT systems that support these facilities and emergency depots, which provide emergency response services. Having established a configuration that enables us to provide on-line systems across Japan, we promote ongoing investments aimed at improving quality and functionality, thereby further reinforcing our competitiveness.

Expanding use of our recurring revenue-based business model

We have applied our recurring revenue-based business model in various SECOM Group business areas. In addition to on-line security systems, our security services segment includes two recurring revenue-based businesses, namely, static guard services and armored car services. In the fire protection segment, we view post-installation regular maintenance and inspection services and replacement, which is carried out after a set period of time, to essentially be recurring revenue-based businesses. Our medical services segment includes home medical services, as well as services that leverage ICT, notably an electronic medical report system and remote image diagnosis support services. Most of the businesses in our insurance services segment, including fire insurance and cancer treatment insurance, are recurring revenue-based businesses. In the geospatial information services segment, which has traditionally focused on outsourced work, we are promoting the expansion of continuous contract services. The BPO and ICT service segment primarily consists of recurring revenue-based businesses, including data centers, large-scale disaster response services, cloud-based services and BPO services.

Building a stable cycle of investment and growth

Going forward, we will continue striving to bolster our earnings by expanding application of this recurring revenue-based business model and remaining in close proximity to customers. We will also continue to reinvest in growth using cash generated by these businesses to further enhance our competitive edge and ensure sustainable growth.

Group strengths backed by a strong financial base

At present, the SECOM business portfolio encompasses seven segments: security services, fire protection services, medical services, insurance services, geospatial information services, BPO and ICT services, and real estate and other services. In all of these areas, we endeavor to help resolve our customers' concerns by rallying SECOM Group strengths to provide a diverse range of tailored services and products that deliver safety and peace of mind and make life more comfortable and convenient. Looking ahead, we will also continue working to drive innovation by combining these various services and products into tailored packages.

The ANSHIN Platform

With the aim of realizing our vision for the future—the Social System Industry—we formulated the SECOM Group's Vision for 2030, as part of which we are working to create the ANSHIN Platform, a service infrastructure through which we are striving to deliver peace of mind to people in their everyday lives and to society as a whole. We provide comprehensive services designed to address risks including crimes, accidents, cybercrime, natural disasters, illnesses and aging by helping prepare in advance, ensure an accurate grasp of conditions, minimize impact and achieve restoration. These four steps comprise the SECOM ANSHIN Flow, through which we endeavor to ensure the seamless provision of services that deliver peace of mind.

Investments to realize our vision

Efforts to create the ANSHIN Platform center on two key strategies. The "ALL SECOM" strategy focuses on rallying Group strengths, while the "Collaboration" strategy emphasizes working with various partners who share our philosophy. We also see M&As as a viable approach to creating the ANSHIN Platform, and, as stated in the SECOM Group Road Map for 2022, we will seek to invest in key growth businesses, namely, physical security, cyber security, BPO and ICT services and healthcare, as well as in start-ups with advanced technological capabilities. We have allocated ¥200 billion for M&As over five years (April 2018–March 2023). Active investments in growth, including in M&As, are possible thanks to our stable financial base, which reflects stable cash flows from recurring revenue-based businesses.

M&As to reinforce Group strengths

We have a long history of investing in M&As with the aim of further reinforcing the strengths of the SECOM Group. In 2006, we acquired Nohmi Bosai, Japan's largest provider of fire protection services, while in 2012 Japan's third-largest fire protection services provider, Nittan, joined the Group, enabling us to extend joint security services and fire protection services proposals. The same year, we also acquired At Tokyo, one of Japan's top data center services firms, positioning us to begin offering services using Big Data and

reinforcing our ICT business. In 2015, leading cash collection and delivery services provider Asahi Security became a consolidated subsidiary, allowing us to propose solutions combining security services with cash collection and delivery services, while in 2017 we acquired TMJ, a provider of contact center and other BPO services, enhancing our responsiveness to the rising need to be able to rely on others, a consequence to Japan's declining labor force.

Deepening ties with customers and ensuring sustainable growth

By enhancing SECOM Group strengths, we are expanding opportunities for customers to use SECOM services. While continuing to value our relationship with each and every customer, we will continue working to offer services optimized to suit their needs, thereby helping to resolve concerns and further reinforcing our bond with society. Guided by our mission of helping to achieve a society free from concerns, we will press ahead with efforts to ensure sustainable growth in a rapidly evolving society by swiftly identifying needs and offering a broad range of services.