

A Message to Stakeholders

Adhering to SECOM's Philosophy and making forward-looking investments in growth to increase corporate value

Responding to COVID-19

We would like to begin by extending our deepest sympathies to everyone who has been affected by COVID-19. As always, we are especially grateful to the medical professionals and others who are working tirelessly and at considerable danger to themselves to help curb the spread of the virus.

The socioeconomic impact of the pandemic has been significant worldwide. The Basic Policies for Novel Coronavirus Disease Control, published by Japan's government, designates SECOM's medical, security, building maintenance, data center and insurance services, among others, as social infrastructure necessary for safety and security and has requested their continuation even when the country is 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 while placing the highest priority on the

safety of customers and employees. We have established a COVID-19 headquarters and put in place a number of critical measures to prevent infection, thereby ensuring business continuity and our ability to provide services without interruption. We have also created the COVID-19 Risk Response Committee, which spans our International Business Division and overseas subsidiaries, to protect the health of overseas SECOM Group employees, helping prevent infection and ensure business continuity.

Going forward, we will continue to promote stringent measures to limit the further spread of infection and to extend services as appropriate given local conditions, while not causing customers untoward trouble, in line with our abiding commitment to delivering safety and peace of mind and making life more comfortable and convenient.

Consolidated operating results

In the fiscal year ended March 31, 2021, the Japanese economy remained challenging, owing to a significant decline in corporate earnings attributable to COVID-19, with both trends in the spread of the pandemic worldwide and fluctuations in global financial markets requiring constant monitoring. With the socioeconomic activities gradually resuming, the economy has begun to rally, despite the ongoing need for strict measures to curb infections, owing to the positive impact of various strategic measures and improvements in overseas economies.

In this environment, we pressed forward with ongoing efforts to realize our Social System Industry vision, in accordance with our goal of delivering safety and peace of mind, as well as making life more comfortable and convenient, whenever and wherever necessary, for anyone and everyone. To this end, 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. We also accelerated these efforts by clarifying initiatives to be implemented in line with the SECOM Group Road Map 2022 with the goal of achieving the SECOM Group's Vision for 2030.

Notwithstanding the negative impact of COVID-19 in certain areas of the security services, fire protection services and medical services segments, consolidated net sales and operating revenue in the period under review edged up 0.2%, or ¥2.7 billion, to ¥1,135.3 billion, and operating income rose 4.8%, or ¥6.2 billion, to ¥135.8 billion. This was due to an increase in the BPO and ICT services segment and to net realized investment gains (including a gain on other-than-temporary impairment of investment securities) in the insurance services segment, compared with net realized investment losses in the previous fiscal year. Despite a loss from discontinued operations, net of tax, net income attributable to SECOM CO., LTD., advanced 3.2%, or ¥2.8 billion, to ¥89.9 billion, underpinned by an increase in operating income, as well as by a gain on other-than-temporary impairment of investment securities, compared with a loss in the preceding period.

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, 2021, 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, level with the previous fiscal year.

Initiatives in the period under review and efforts to thrive in the new normal

Owing to the rampant spread of COVID-19, we faced significant difficulties, including restrictions on business activities such as sales and installations, and cautious customer attitudes toward purchases. In response to these difficulties, we took decisive steps to enhance the stability of business continuity, adopting a sales configuration and developing products that make effective use of information technologies (IT), and building an effective telework system.

It is also important to note that the impact of the pandemic has not been entirely negative. In the security services business, sales of surveillance cameras, access control systems and other merchandise and revenue from the installation of systems decreased, but the influence on on-line security systems and other businesses based on fixed monthly fees was limited, despite concerns prompted by the integration and downsizing of retail premises. Moreover, with many convenience stores and factories that used to operate around the clock now opting to close at

night, needs for security when premises are empty have risen, underscoring increased public awareness of safety and security and the firmness of demand for on-line security systems.

In our fire protection services and medical services businesses, the impact of COVID-19 has indeed largely been adverse, but our BPO and ICT services business has benefited from growing demand for data center services and special demand for contact center services arising from the emergence of new lifestyles and the greater use of telework arrangements.

With a view to thriving during COVID-19, as well as in the post-pandemic world, we continued to implement our four ongoing priority strategies, which are to expand monitoring services, reinforce our BPO and ICT services business, strengthen our overseas operations, and improve productivity.

Promoting four priority strategies

Expand monitoring services

Recognizing that needs for assistance with care for seniors vary depending on age group and have become increasingly diverse as a consequence of changes in family structure, we added a number of new selections to our lineup of remote monitoring services.

Specifically, in addition to 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 service that encourages communication with parents living apart while providing unstructured monitoring, we began offering SECOM Monitoring Service for Seniors, an option to SECOM Home Security subscribers that includes a cloud-based smartphone app.

Family members living apart can check up on their parents in a nonintrusive manner to confirm any variations in the frequency or nature of daily activities by accessing information captured by SECOM Home Security sensors installed in the parents' home. By installing an optional

dedicated sensor, subscribers can also monitor the indoor temperature and humidity changes at their parents' home from a smartphone using a dedicated application. SECOM emergency response personnel will be sent as necessary to check on the parents directly if, for example, the security sensors detect no movement over a certain period of time. Family members can also use the app to ask SECOM to dispatch emergency response personnel to check in person. We are also currently developing a new sensor that detects changes in posture, falls and whether the individual is breathing to enable more careful monitoring for parents requiring closer observation.

In addition, we are working to verify the value of new services that link SECOM Home Security with the Apple Watch, thereby making effective use of monitoring information, with the aim of achieving commercialization in the fiscal year ending March 31, 2022. One of these services stores pedometer, calorie expenditure counter, exercise time, heart rate and sleep quality data from the subscriber's Apple Watch, together with information on the frequency or nature

of daily activities detected by SECOM Home Security, in the cloud*1 for analysis and viewing. In addition to enabling family members to monitor parents living apart, these services also assist parents in managing their own health.

Monitoring services in the future will require advanced technological capabilities, in addition to the ability to promptly dispatch emergency response personnel when circumstances demand. In our drive to deliver peace of mind, as well as make life more comfortable and convenient, we will not only promote in-house development but also collaborate actively with various partners who have crucial technologies and devices under our strategy of open innovation. Going forward, we will continue working to help monitor the health of families by combining advanced technologies and human sensibilities to provide distinctively SECOM services that ensure our ability to be there for customers whenever we are needed.

Reinforce BPO and ICT services business

We continue to develop services to meet the diverse BPO and ICT needs of our customers and to take decisive steps in the period under review to accelerate the growth of this business. Our data center business is expanding steadily thanks to the increased use of advanced digital technologies, including artificial intelligence (AI), the Internet of Things (IoT) and cloud-based services, and we continue striving to enhance our capabilities in this area. Subsidiary At Tokyo Corporation, one of Japan's largest data center operators, opened two data centers in the Kansai region in 2020. In light of robust demand, the company also plans to open a new hyperscale urban data center in 2023, while in 2025 Secom Trust System Co., Ltd., plans to open a new data center on a site adjacent to an existing facility. Investment in the two new data centers is expected to be in the area of ¥40 billion. We will continue to expand our data center business in response to rapid digitalization to create a disaster-resilient infrastructure.

In the area of BPO services, we saw a temporary jump in demand for contact center services, including from local governments seeking to set up COVID-19 helpdesks. Telework arrangements, which have become increasingly widespread due to the pandemic, are likely to become the new normal. With the steady decline in Japan's labor force, a structural issue, expected to continue, the need to realize work style reforms and improve operational efficiency will remain common themes for companies in the years ahead. Given such trends, we expect our BPO business to continue expanding steadily. Accordingly, core BPO services company TMJ, Inc., will spearhead further efforts to combine optimal state-of-the-art technologies with the front-line administrative competency and ability to refine services it has fostered to offer 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.

In ICT services, we are endeavoring to bolster sales of IT products that are also effective in differentiating our on-line security systems. We have also assigned employees with advanced IT skills to regional headquarters to oversee sales promotions, as well as to support and provide direction to regional sales staff, with the aim of expanding the scale of IT product sales. Additionally, we are stepping up efforts to integrate BPO and ICT services with security systems to boost customer convenience.

Strengthen overseas operations

With the goal of extending the reach of our security services business in Asia, between September 2020 and February 2021, we acquired ADT Services (M) Sdn. Bhd. in Malaysia, ADT Integrated Security Solutions Pte. Ltd. in Singapore, and ADT Alarm Monitoring Hong Kong Ltd., all of which became wholly owned subsidiaries. This positions us well to expand operations in promising markets, including services for the region's growing wealthy and middle classes, and accelerate efforts to extend the scope of our overseas operations. These three companies provide cloud-based services and systems via the Internet and will work to enhance smartphone-linked interactive and smart home functions in Asian markets.

With Japan's population expected to continue shrinking over the long term, we believe that strengthening our operations in promising overseas markets is essential to our sustainable growth going forward. In the PRC and Thailand, we have launched projects aimed at cultivating businesses and developing products suited to local needs that incorporate advanced technologies. In early 2021, we also embarked on focused marketing activities designed to broaden awareness of the SECOM brand and enlarge our customer bases in countries and territories where we already have operations.

Improve productivity

We recognize higher productivity as vital to our ability to absorb cost increases associated with additional investments in growth in the years ahead. We are advancing measures aimed at reinforcing in-house IT systems to boost the productivity of individual employees so that we are positioned to handle even a significant surge in work volume resulting from higher subscriber numbers and the expansion of services with current staffing levels.

In the fiscal year ended March 31, 2021, we sought to optimize regional sites by merging SECOM control centers and shifting the sales and administrative functions of smaller offices to larger offices. Additionally, we reorganized sales and operational departments to clarify their roles,

expedite decision making and eliminate waste with the objective of breaking down organizational silos. We will continue working as one to further improve productivity, guided by the concept of refusing to be content with the status quo,*2 a key element of SECOM's Philosophy.

Transformation of the security services business

COVID-19 has brought far-reaching, 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, our future depends on responding effectively to survive and thrive in what is emerging as the new normal. At the same time, we must also continue to address challenges associated with a super-aged society and a declining labor force. We are excited at the potential for such socioenvironmental changes to stimulate new needs and create promising business opportunities.

New needs include those for enhanced troubleshooting and security as a result of reduced staff numbers or a shift to an unattended format for retail facilities, as well as those for personnel management-related systems compatible with telework and other work style reforms, information security and document digitalization. With people spending more time at home and making frequent use of delivery services, we are also seeing increased needs for safe and secure home environments, monitoring services that help protect elderly parents and other family members, and remote healthcare. Acknowledging that we have a responsibility to advance social change in this new era, we are striving to develop and offer services that accurately address these and other emerging needs.

The security services business is expected to enter a period of fundamental transformation. Factors behind this include the spread of AI, the IoT and 5G mobile communications technologies, and rapid advances in the area of sensing technologies,*1 which are forecast to support the development of IoT services that respond to various social imperatives. The linking of these to security services will greatly expand the scope of services available to customers.

We also anticipate the realization of services that leverage data science to extract information of value from that captured by sensors installed at subscribers' premises. In the security services industry of the future, we believe

*1 In addition to information from SECOM sensors, information from devices in the home manufactured by other companies can be stored in the cloud and used to enhance monitoring of daily activities and health.

*2 The concept of refusing to be content with the status quo expresses our determination to offer innovative services and systems by challenging outdated beliefs and accepted norms.

that the key to growth will be our ability to create a service framework based on a new concept that involves the use of these technologies.

During the investment phase of the SECOM Group Road Map 2022, we promoted investments to reinforce our business infrastructure and secure individuals with the high-level skills necessary to work in IT in preparation for the digital era.

We currently have more than 2.4 million on-line security subscribers in Japan. By offering a software as a service (SaaS)*2 on-demand service model, we will make it possible for subscribers to access highly convenient IoT and other new services that leverage new technologies. To this end, we must install security equipment with functions and performance features compatible with these services at subscribers' premises.

Based on the belief that the services we provide to society should both be revolutionary and utilize sophisticated technologies, we will systematically replace subscribers' existing security equipment with new models compatible with the new technologies of today and the future. This combination of state-of-the-art equipment with our around-the-clock monitoring services will continue to ensure our ability to offer new value by extending reliable services that improve convenience. In addition to enhancing customer convenience, these sophisticated technologies will also boost the efficiency of our operations.

We see this period of transformation as an important business opportunity. To ensure sustainable growth over the long term, we are working to build next-generation business models—an effort spearheaded by the Business Design Laboratory, which was established in-house in August 2020—and advancing measures to sharpen our competitive edge under the banner of "SECOM DX."

*1 Sensing technologies are technologies that measure and quantify information acquired by sensors.

*2 SaaS is a subscription-based delivery model whereby services are accessed via the Internet.

Promoting ESG 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 ability to deliver safety and peace of mind, as well as make life more comfortable and convenient, is the human resources who are responsible

for providing our services. With our operating environment expected to undergo major changes in the years ahead, owing to the emergence of a new normal in the wake of COVID-19 and the coming period of transformation for the security services business, securing and training people who excel in terms of adaptability to change, ability to create value and desire to contribute to society, will become an increasingly critical management challenge.

To attract human resources who are a good fit for SECOM and capable of performing at a high level over the long term, it is vital that we offer attractive employment conditions in terms of pay scale, work-life balance and employee welfare, and maintain a high degree of employee motivation by striving constantly to bolster job satisfaction. We thus strive to guarantee safe working environments, create employee-friendly workplaces, offer training to foster employees with superior ethical standards and skills, and advance diversity and inclusion.

Further, we endeavor to encourage a managerial mindset, that is, to nurture individuals who understand our corporate philosophy, including our mission, and are capable of independent judgment and action. To this end, senior management is leading efforts to maximize employees' capabilities and inspire them to fulfill their potential by creating a virtuous circle rooted in job satisfaction and stepping up implementation of our Tri-ion initiative, which seeks to ensure that SECOM's Philosophy fully penetrates every aspect of our operations.

Rigorous corporate governance is indispensable to our ability to earn public trust and fully leverage our competitive edge. Our core business is security services. As such, we appreciate the importance of each and every employee discharging his or her duties in good faith and in keeping with the spirit of related laws. For this reason, we 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. Preserving confidentiality is also critical to the provision of security services. We have established an information security 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 also 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 enhance the diversity and effectiveness of our Board of Directors, including appointing a female outside director in June 2020.

Recent years have seen natural disasters generally associated with climate change, including large-scale forest fires and heavy rain incidents, occurring with greater

frequency around the world. Seeing our mission as being to help achieve a society free from concerns, we strive to be a company that is capable of providing enduring peace of mind while at the same time fulfilling our responsibilities as a member of society and reducing the impact of our operations on the environment.

With the belief that protecting the environment is essential to our ability to deliver security and support comfortable lifestyles, we incorporate environmental conservation into all aspects of our business activities. For example, we provide on-line security system equipment to security services subscribers mainly on a rental basis. We are thus 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 have largely completed the planned introduction of fuel-efficient vehicles. We plan to upgrade to electrified vehicles with an even lower environmental impact in the years ahead, and have already replaced a number of vehicles with hydrogen-powered models. In our data center services business, which uses a considerable amount of electric power, our efforts have earned designation by the Tokyo prefectural government as demonstrating particular excellence in the implementation of initiatives to counter global warming.

Seeking to further our goal of helping achieve sustainability for society, in July 2019, we declared our support for the Task Force on Climate-related Financial Disclosures (TCFD), pledging to disclose related information in line with TCFD recommendations. In July 2021, we announced our intent to achieve carbon neutrality by 2045 and set a target for reducing CO₂ emissions by 45% from the fiscal year ended March 31, 2019, by the fiscal year ending March 31, 2031. These targets earned certification as science-based targets (SBTs) from the Science Based Targets initiative. In line with these targets, we also joined Renewable Electricity 100% (RE100), a global renewable energy initiative, with the aim of shifting entirely to electricity generated using renewable energy by 2045.

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 nurture continued growth and resolve environmental, social and governance (ESG)-related issues. We believe that increasing corporate value by expanding our business activities directly improves our ability to address ESG issues, which in turn enables us to contribute to the achievement of the United Nations' Sustainable Development Goals (SDGs). These achievements have earned solid marks, as evidenced by our continued inclusion

as a constituent of all four ESG investment indices* for Japanese equities used by Japan's Government Pension Fund (GPIF). Going forward, we will continue working to enhance our provision of ESG- and sustainability-related information to our diverse stakeholders.

* The four indices 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.

Ensuring unwavering, sustainable growth

We continue to operate in an environment characterized by significant upheaval and unprecedented uncertainty, caused by factors such as a declining labor force, climate change and the impact of COVID-19. At the same time, we expect that the rapid digitalization of society, underpinned by the evolution of advanced AI, IoT and 5G mobile communications technologies, and by the rising prevalence of cloud-based services, will drive demand for services utilizing smartphones and wearable mobile equipment.

Against this backdrop, we have begun to offer cloud-based and interactive services that accumulate, analyze and visualize information detected by sensors installed at the premises of security service subscribers. The rapid evolution of sensing technologies is expected to fundamentally transform the security services business in the years ahead. As a consequence, our security services in the future must necessarily evolve into sophisticated high-grade services that combine advanced digital technologies and human support. For this reason, we must evolve as a "tech" company with capabilities in such areas as health tech. SECOM Group companies will also actively introduce new technologies to optimize our performance and ensure unwavering growth. With Japan's labor force expected to continue shrinking, we also recognize that further globalization is essential to the sustainability of our

growth. We have taken the first steps toward a full-scale reinforcement of our overseas operations. We are confident that measures implemented will yield positive results in the near future.

Achieving the goals we have set for ourselves will require continued and decisive investment in growth. We will explore priorities while continuing to promote key investments, including in M&As. Given the dramatic changes in our operating environment and the increasingly uncertain outlook, securing sufficient capital assets has also taken on greater importance. With the aim of enhancing returns to shareholders, we will continue working to improve corporate value and maintain a stable dividend payout ratio of between 40% and 45%, as set forth in the SECOM Group Road Map 2022.

The Olympic and Paralympic Games Tokyo 2020 will be held this year in the shadow of COVID-19. It is our hope that the efforts and commitments of the athletes will bring inspiration and joy to people around the world. We are committed to playing our part in ensuring the secure and successful staging of the games. In this as well as our other endeavors, we look forward to the ongoing support and guidance of our many stakeholders.

July 15, 2021



Makoto Iida
Founder



Yasuo Nakayama
Chairman and
Representative Director



Ichiro Ozeki
President and
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