



**Under the SECOM Group Road Map 2027, we will strive to enhance corporate value through the creation of new value.**

**Ichiro Ozeki**  
President and Representative Director

### Consolidated operating results

The Japanese economy showed signs of a gradual recovery in the fiscal year ended March 31, 2023. While economic and social activity gradually returned to normal and improvements were seen in corporate earnings and private-sector consumption, among others, as people gradually adapted to the post-COVID-19 “new normal,” downside economic risks, including those associated with the current unstable global situation, supply side constraints, rising prices and tightening monetary policy around the world, as well as fluctuations in financial and capital markets, continued to warrant attention.

Against this backdrop, we pressed forward with efforts to achieve the SECOM Group’s Vision for 2030, formulated with the aim of realizing our Social System Industry vision, which seeks to deliver safety and peace of mind, as well as to make life more comfortable and convenient. These focused on extending meticulously tailored, seamless services that respond to the diverse and sophisticated needs of customers.

### Highlights of the period

Guided by our goal of delivering safety and peace of mind, as well as making life more comfortable and convenient, we promoted a variety of initiatives in our various businesses in the period under review. In June 2022, autonomous security robot cocobo began operating at Narita International Airport. Cocobo was also honored with multiple awards, including a

Consolidated net sales and operating revenue for the period under review amounted to ¥1,227.3 billion, up 5.2%, or ¥61.2 billion, owing to contributions from Senon Ltd., which became a consolidated subsidiary in July 2022, and to increases in all segments except fire protection services. Operating income declined 6.9%, or ¥10.9 billion, to ¥145.6 billion, owing to the fact that the security services and fire protection services segments benefitted from comparatively profitable projects in the preceding period, as well as to investments in growth, primarily in the security services segment, an increase in losses due to natural disasters in the insurance services segment and an elevated fuel cost adjustment unit price in the BPO and ICT services segment. Net income attributable to SECOM CO., LTD., rose 3.6%, or ¥3.8 billion, to ¥111.6 billion, reflecting factors such as increases in gain on private equity investments and equity in net income of affiliated companies.

GOOD DESIGN AWARD, an annual evaluation and recommendation program in Japan that acknowledges outstanding examples of industrial design, underscoring the acclaim it has earned. In July, Senon, a leader in the provision of airport security services, joined the SECOM Group. The same month, we launched System Security

AZ-Air, a security system for small and medium-sized commercial facilities and offices. In April 2023, we introduced *anone*, a communication and conversation service for seniors that uses a robot. We also responded to increasingly diverse customer needs by launching YORISOS, an emergency alert and daily health management app that can be linked to the Apple Watch’s fall detection feature to notify SECOM should a fall be detected.

Overseas, we continued to focus on Association of Southeast Asian Nations (ASEAN) member states, which are expected to continue seeing economic growth, promoting the introduction of services customized to reflect local market needs, including an interactive security system that links with smartphones. In February 2023, Turkish subsidiary Secom Aktif Guvenlik Yatirim A.S. provided relief supplies and took part in rescue efforts in the wake of the major earthquake that struck the south of that country.

We also pushed ahead with efforts to enhance our sustainability program, which strives to contribute to

sustainable growth for society and to improve corporate value by addressing key related challenges. In December 2022, we earned the top rating in the climate change disclosure program run by the CDP, an international not-for-profit environmental organization, making the Climate Change A List and earning a place on the Supplier Engagement Leaderboard for the third consecutive year.

During the period, we proceeded with the implementation of strategies in line with the SECOM Group Road Map 2022, developed with the aim of ensuring achievement of the SECOM Group’s Vision for 2030. With some pandemic-related restrictions on business activities remaining in place, inflation and attendant cost surges, together with necessary investments in growth and a second consecutive annual base salary increase implemented to bolster employee motivation, meant that we fell short of the road map’s consolidated operating profit target. Nonetheless, we did make steady progress, posting record-high consolidated revenue.

### SECOM Group Road Map 2022: A look back

Over the five years of the SECOM Group Road Map 2022, which was devised in May 2018 and concluded in the period under review, we positioned responding to technological advances and a declining labor force as priority challenges and worked actively to keep abreast of rising needs related to these issues, which we saw as likely to yield significant business opportunities. To ensure achievement of the SECOM Group’s Vision for 2030, we also promoted crucial investments with a medium- to long-term perspective, including concentrated investments in people and systems.

With artificial intelligence (AI), the Internet of Things (IoT), 5G mobile communications and other advanced technologies continuing to evolve at an astounding pace, the security services industry, which is expected to benefit greatly from such progress, has entered an era of transformation. Recognizing that making the most of this opportunity to evolve our businesses will require capabilities and a sense of urgency on an entirely different level, we strove to enhance our R&D system by, for example, promoting open innovation, which allows us to leverage the knowledge and expertise of various partners, in addition to proprietary SECOM technologies.

The spread of COVID-19 had a major impact on all facets of life, including by restricting business activities. At the same time, new business practices and patterns of consumption took hold as the world moved online, accelerating digital transformation (DX) in all aspects of life. One consequence of this is the emergence of new needs for, among others, services that support minimally staffed and unattended retail facilities, employee attendance

management services that accommodate work style reforms, information security improvement and document digitalization services, and monitoring services that help protect elderly parents and other family members, which we took decisive steps to address. We also promoted various investments—including to boost the capacity of our core system, which is critical to our on-line security systems—that enabled us to respond flexibly to these and other new needs, as well as technological change.

In the area of on-line security systems for commercial facilities, the core of our commercial security services business, we developed and actively promoted System Security AZ, which offers excellent scalability that allows its expansion to include, for example, facility control and employee attendance management. In addition to reinforcing and expanding the added value of System Security AZ by adding human resources tech, among others, we strengthened our sales and service systems by assigning human resources with increasingly critical ICT-related knowledge and skills to all regions of Japan, thereby improving the IT literacy and proposal development capabilities of sales staff.

Looking ahead, we will continue to promote System Security AZ as our mainstay on-line commercial security system, capitalizing on its scalability to introduce various new services that add value. To encourage broad adoption of these new value-adding services, we will not only strive to attract new subscribers but also advance a project designed to replace existing subscribers’ currently installed equipment with up-to-date models. Through such efforts,

we will look to increase the percentage of our on-line commercial security system subscribers using System Security AZ.

In home security services, pandemic restrictions on movement made it difficult for people living any distance away to return to their family home, exacerbating the need for assistance in monitoring seniors. We stepped up advertising and publicity activities, highlighting our home security systems, whereby we keep an eye on elderly parents around the clock on behalf of family members living apart and dispatch emergency response personnel from the nearest SECOM emergency depot if required, which succeeded in bolstering the market's awareness of SECOM Home Security as a monitoring solution. We also responded to varied needs by launching a variety of meticulously tailored optional services for SECOM Home Security subscribers, including cloud-based services, and improving user convenience through enhanced connectivity with Apple Watch.

We worked to expand our operations overseas through both organic growth in countries and territories where we currently operate, as well as through M&As, including in new markets, with the objective of boosting revenue generated in markets outside Japan to 10% of the consolidated total, from the current 5%. To this end, as part of the concentrated investments to reinforce human resources called for under the SECOM Group Road Map 2022 we increased hiring of management staff with superior international business skills who share SECOM's principles and philosophies. We also resolved to revamp our service and product lineups from the bottom up with the goal of moving away from our traditional focus on Japanese companies to target local customers as a full-fledged participant in local markets. Our first move was to introduce a highly convenient and scalable cloud-based on-line security system in Thailand, where economic growth has given rise to a burgeoning middle class, leveraging results subsequently by, among others, broadening deployment to other regions. Also in Thailand, we kicked off our first overseas promotional effort, centered on television advertisements, which led to a dramatic rise in inquiries from potential local customers, as well as significant concrete benefits, including improved motivation on the part of local staff and a significant rise in applicants for employment. In addition, we secured major orders for products and system installation projects in multiple other overseas markets, including Singapore, the United Kingdom and Australia, that fortified our local presence. Other moves included acquiring on-line security systems companies in Malaysia, Singapore and Hong Kong, and establishing a new business development project to further advance business alliances and M&As overseas.

In the BPO and ICT services segment, we continued to respond to the ever-increasing demand for vital infrastructure amid labor shortages and the proliferation of DX. In the area

of data center services, we opened data centers not only in Tokyo, but also in the Kansai area, in western Japan, and in several smaller regional cities, taking advantage of low latency and highly reliable connectivity with the megacloud, and opened access points, which simplify connectivity to cloud service providers, in key cities across the country, the first step in a plan to build a nationwide platform with a view to expanding our edge data center business. In ICT services, we built and operated IT systems, enabling us to support the digitalization of customers' operations, as well as to commence sales of new products that offer greater efficiency and safety. In BPO services, with demand driven by COVID-19 appearing to flag but that for outsourcing services flourishing, we established new contact centers and other service facilities in multiple locations.

On another front, operating conditions encouraged us to review our business portfolio and take steps to optimize the SECOM Group. Key among these were the divestiture of a consolidated real estate development and sales subsidiary and the transformation of listed subsidiary Secom Joshinetsu Co., Ltd., into a wholly owned subsidiary. We also acquired Senon, a move aimed at elevating our presence in the market for security services for airports and other major infrastructure, as well as for large-scale facilities, and increasing productivity in the security services business.

To enhance productivity Groupwide, we began working to replace existing in-house business systems that have undergone repeated modifications over many years. This followed a thorough review of the substance of work performed and processes used by each individual department, as well as efforts to revamp administrative rules and promote multitasking among related departments. This is a massive, ongoing undertaking requiring considerable time to consider a broad range of factors, but we made steady progress.

The five years of the SECOM Road Map 2022 brought momentous socioenvironmental changes. Particularly notable, of course, were the pandemic and rapid inflation. Nonetheless, thanks to various initiatives, we reported record-high consolidated operating profit in the fiscal year ended March 31, 2022. In the fiscal year ended March 31, 2023, the plan's final year, we saw key challenges—including improving employee engagement, promoting open innovation and making additional investments to solidify our operating foundation—take on greater urgency to ensure our achievement of the SECOM Group's Vision for 2030, prompting us to focus on decisive related initiatives. One consequence of this was that we fell short of the road map's ultimate consolidated operating profit target. However, we are confident that the accumulated benefits of initiatives implemented under this road map, particularly in the security services business, which is undergoing great change, will help accelerate growth in the years ahead.



## SECOM Group Road Map 2027: The path forward

In May 2023, we announced the SECOM Group Road Map 2027, which clarifies our direction through to the fiscal year ending March 31, 2028. This road map sets forth five core strategies for growing and enhancing our operations as we work to achieve the SECOM Group's Vision for 2030: Expand monitoring and security services, strengthen overseas operations, reinforce BPO and ICT services, improve productivity and reward stakeholders.

Initiatives to expand monitoring and security services will emphasize realizing seamless protection by linking diverse information in the *Mimamori*\* Cloud and creating security-focused services and solutions by, among others, creating highly convenient offerings that combine robust SECOM security services and open cloud services.

\* *Mimamori* is Japanese for "monitoring."

To strengthen overseas operations, we will seek to realize further growth in promising overseas markets. Accordingly, we will augment existing businesses by broadening offerings that meet individual market needs, as well as enter untapped markets and create new growth models.

With the aim of reinforcing BPO and ICT services, we will focus on creating business infrastructures and offering services that provide digital support for customers' operations. These will include continuing to bolster our data centers, network, Software as a Service (SaaS) solutions and BPO services.

To improve productivity, in addition to business expansion we will take steps to maximize our service value. We will also leverage the latest technologies to help employees demonstrate their full potential and boost our operational efficiency.

In addition to the ongoing efforts to provide services that earn customer satisfaction and increase returns to shareholders, we will seek to reward stakeholders by promoting investments to secure and foster human resources and stepping up the creation of workplaces that enable each employee to capitalize on their individuality and fully exercise their capabilities. We will also strive to consistently earn the trust of society by actively incorporating sustainability perspectives into management decisions and business standards to accelerate our achievement of sustainable management.

Guided by the SECOM Group Road Map 2027, we will take advantage of our advanced technologies and extensive know-how to address social imperatives and enhance corporate value, positioning us to achieve sustainable growth together with society. Expect great things from SECOM going forward! (For more information on the SECOM Group Road Map 2027, please see pages 14–19.)

## Sustainable management

More than ever before, growing sustainably together with society requires that we conduct our operations in a balanced manner, taking into account all of our various stakeholders, that is, our shareholders, customers, employees, business partners and local communities. Reflecting our desire to continue to earn the trust of society, that is, of our stakeholders, we will expedite the integration of management and sustainability strategies under the SECOM Group Road Map 2027. In terms of efforts to date, in

December 2021, we formulated the SECOM Group Basic Sustainability Policy. Having identified material sustainability issues, in October 2022 we formulated related key goal indicators (KGIs) and key performance indicators (KPIs), toward the attainment of which we are promoting a variety of initiatives. We will periodically evaluate our progress and publicize our findings with the aim of encouraging improvement.





### » Reinforcing corporate governance

Scrupulous corporate governance is vital to earning the trust of society and bringing our abilities into full play. We are working to strengthen our corporate governance system to improve the transparency and objectivity of management.

Our Board of Directors, which currently has five inside and three outside directors, engages in active discussion. As part of our effort to enhance corporate value over the medium to long term, we are currently considering increasing the diversity of the Board's composition, including by raising the proportion of outside directors and the number of female directors.

Remuneration for directors (excluding outside directors) has to date comprised fixed monthly salary, bonuses and share-based remuneration, with a relative proportion of approximately 80:15:5. We recently resolved to increase the proportion of share-based remuneration to further encourage management that takes a shareholder perspective and emphasized the improvement of corporate value, as a result of which the relative proportion going forward will be 65:15:20. Regarding the method we use to determine bonuses paid to these directors, which are performance-linked, we resolved to give comprehensive consideration to operating profit, earnings per share and employee engagement (employee satisfaction)—key management targets—and to make decisions based on level of achievement of these key management targets.

In June 2023, an outside director was appointed to chair our Nomination and Compensation Committee, established as a discretionary committee of the Board of Directors, to further bolster objectivity and transparency. Looking ahead, we will work to further strengthen our pipeline of candidates for appointment to management positions by debating succession plans.

We hold listed shares for strategic purposes, primarily from a business perspective. The Board of Directors continues to verify the appropriateness of holdings annually. If a holding's appropriateness is judged insufficient, it will be targeted for reduction through the sale of shares.

### » Human resources strategy

Our ability to provide high-grade services that earn the satisfaction of customers depends on continuing to secure and foster human resources, and on making it possible for every employee to fully exercise their abilities. To this end, employees must be motivated to work at SECOM and feel job satisfaction. Our human resources strategy thus focuses on enhancing employee engagement and promoting diversity.

We recognize that optimizing the workloads of the front-line employees is essential to our security services business and that improving their terms of employment, including remuneration, is indispensable to better employee engagement. Over the past several years, we have addressed raising productivity, necessary to optimize front-line workloads, as a priority challenge. In the period under review, we implemented a second consecutive annual base salary increase, viewing such outlays as investments in sustainable growth, rather than as expenses, and as a necessity in light of recent socioeconomic conditions. Looking ahead, we will continue to boost returns to employees in a manner that takes socioeconomic factors into consideration. Additionally, to encourage employees' efforts to build assets, and to approach their work with a perspective similar to that of management and investors, we have introduced a benefit plan that grants common stock shares as restricted stock to all employees of the parent company, as well as to employees of certain SECOM Group companies, or approximately 23,000 individuals in total. In March 2024, eligible employees and executive officers will be allotted 25 shares and 50 shares, respectively, to be facilitated by the disposal of treasury stock. This is expected to result in the accumulation of 100 shares for each employee and 200 shares for each executive officer over the next four years. We are confident that these and other efforts to optimize workloads and improve terms of employment for employees will underpin efforts to attract and retain human resources, thereby effectively enhancing our team of employees, which are our most important management resource.

As part of our commitment to promoting diversity, we aim to boost the proportion of management-level positions occupied by women to at least 30% by the fiscal year ending March 31, 2031. To achieve this target, we are focusing on expanding the scope of jobs available to women and actively promoting female employees, as well as on fostering female leaders. We have appointed a number of women to management positions in the home security services business' sales departments and administrative offices. In April 2023, we appointed female employees to the position of manager at security services offices, a move that had long been under consideration.

In a move aimed at expediting the expansion of our operations overseas, in October 2022 we formulated the SECOM Group Human Rights Policy to underpin our efforts to address human rights issues, a global challenge, as well as to ensure we remain an organization that is trusted by society by clarifying our stance as an organization that meets its obligations with respect to human rights.

By continuing to enhance employee engagement, encourage work-life balance, and promote diversity and inclusion, we will strive to bolster the capabilities of our human resources, realize a varied labor force and contribute to the spiritual affluence and well-being of society.

## Financial strategies

The SECOM Group Road Map 2027 outlines four financial targets for the fiscal year ending March 31, 2028: Consolidated revenue of at least ¥1,250.0 billion, operating profit of between ¥160.0 billion and ¥180.0 billion, a dividend payout ratio of around 45%, and a return on equity (ROE) of 10%. (Targets are based on Japanese GAAP.)

### » Capital management

Our philosophy for the allocation of cash is to earmark cash on hand and cash generated by our portfolio of stable recurring revenue-based businesses, notably on-line security systems, for investments in growth, operating funds and returns to shareholders. With the security services industry in an era of transformation, guaranteeing future growth will require critical investments going forward. Accordingly, our current emphasis is on investments in growth. Recognizing the effective use of cash as a critical management issue, and that investments in growth are a growth driver that enhances corporate value but can at the same time be challenging, our policy is to fund these particular investments from equity, although ensuring the optimal allocation of cash remains a priority.

Operating funds are the funds needed to ensure our ability to provide services without interruption, regardless of changes in the operating environment, thereby fulfilling our responsibility to deliver safety and peace of mind. SECOM Group companies differ in terms of working capital and capital investment needed to guarantee business continuity. Because risk levels for these companies vary depending on the nature of their businesses, this is also taken into account in determining the appropriate level of operating funds.

Regarding returns to shareholders, we ensure the steady and continuous distribution of growing consolidated income as dividends, in line with our dividend payout ratio target, which under the SECOM Group Road Map 2022 was between 40% and 45% and under the SECOM Group Road Map 2027

has been amended to around 45%. In the fiscal year ended March 31, 2023, dividends for the full term—the record dates for which fall during the period—amounted to ¥185.00, an increase of ¥5.00 from the previous fiscal year. Looking ahead, we will continue to promote flexible share buybacks while paying careful heed to such factors as our cash position, the scale and timing of investments in growth, and trends in share prices. We recently repurchased our own shares between February and June 2022 and February and May 2023, with total repurchase prices of approximately ¥30 billion and ¥25 billion, respectively. We resolved to implement a second buyback this term—between August and December 2023—which will have a total repurchase price of ¥30 billion.

We maintain high credit ratings from key ratings agencies (AA+ from Japan Credit Rating Agency, Ltd. (JCR) and AA from Rating and Investment Information, Inc. (R&I)), evidence that our capital strategies are considered agile.

### » Investments in growth

In addition to our rapidly evolving security services business, we are promoting investments in other promising areas, including the BPO and ICT services business. We are confident that such investments will accelerate our growth in the years ahead and will continue to proactively seek out appropriate targets while keeping a close eye on capital costs. For investments through M&As, we target companies both in Japan and overseas that will strengthen and add value to our on-line security systems, or broaden our BPO and ICT services, including in such areas as SaaS and health tech. In 2023, we invested in ARTERIA Networks Corporation in Japan, which we followed with Eagle Eye Networks, Inc., and Brivo, Inc. in the United States. Capital investments during the period focused on reinforcing our internal networks to boost productivity, expanding our data centers to meet growing demand and building a second hospital in India.

### » Improving capital efficiency

Our target for ROE in the SECOM Group Road Map 2022 was 8%-plus, but in the SECOM Group Road Map 2027 we lifted this to 10%. To reach this target, we will take steps to lift profit levels and control capital. Through organic growth attained through the implementation of core strategies, as well as through M&As and other investments in growth, we will strive to achieve our target for consolidated operating profit in the plan's final year, that is, the fiscal year ending

March 31, 2028, of between ¥160.0 billion and ¥180.0 billion. To achieve an ROE of 10%, we will also conduct share buybacks in a timely manner.

We continue to explore ways to make effective use of treasury stock, which has increased as a result of recent share buybacks. In the period under review, we introduced a system for disposing of treasury stock as restricted stock for the purpose of enhancing employee engagement.

### Ensuring reliable growth

We are confident that security-related needs will remain firm, owing to incipient demand for monitoring services and worsening perceptions of public safety. Nonetheless, operating conditions remain uncertain. Amid the persistent tightening of monetary policy worldwide, downside risks continue to demand attention, including those associated with the possibility that downturns overseas will exert downward pressure on the Japanese economy, as well as with persistent supply side constraints, rising prices, and fluctuations in financial and capital markets. In the fiscal year ending March 31, 2024, we also expect advance investments in, among others, initiatives aimed at boosting productivity, promotions in overseas markets and salary increases, as well as a one-time increase in communications-related outlays, to push up costs.

We have worked hard to absorb the impact of cost increases. However, in August 2023 we were forced to raise subscription fees for SECOM Home Security systems to reflect a sharp surge in costs attributable to labor shortages. In data center services, to mitigate volatility in electricity costs, which significantly impact our operating performance we are amending service contracts to incorporate a billing format that reflects changes in electricity costs. We also expect to begin seeing the positive impact of the various investments and initiatives we have made to date.

Advanced technologies have found practical uses amid significant changes in our operating environment, including a declining birthrate, the aging of Japan's population and labor shortages. These issues, together with the post-pandemic "new normal," are revolutionizing the security services business. We see this as the perfect opportunity for us to hasten growth and secure an unassailable market position by creating new value. To make the most of this opportunity, we recognize that we must tirelessly seek out excellent investments in growth. These include investments not only in facilities and M&As, but also to secure superior human resources and enhance employee engagement. We are confident that this management approach will position us to increase benefits for both ourselves and our stakeholders, underpinning greater corporate value. We

believe that this, plus active efforts to addressing environmental, social and governance (ESG)-related issues, will improve our sustainability and enable us to fulfill our mission, unchanged since our founding, of realizing a society free from concerns.

Recent years have given us reason to feel the weight of our responsibility to our stakeholders more than ever before. I remain humbled that I have been entrusted with the management of SECOM at this extraordinary time. I hope that you, our stakeholders, will continue to expect great things from SECOM. In all of our endeavors, I look forward to your ongoing support and guidance.

August 9, 2023

**Ichiro Ozeki**

President and Representative Director