A Message from the Head of the Finance Division

We are aiming to achieve sustainable corporate value through meticulous financial governance and financial flexibility.

Kiyoshi Hine
Director,
Head of Finance Division

I was named a director and appointed Head of Finance Division in June 2026. To date, my career with SECOM has primarily been in finance. In recent years, I have worked to improve management practices at several listed subsidiaries with a view to strengthening the SECOM Group's governance. I look forward to leveraging my accumulated experience to support efforts to enhance Group corporate value from a financial perspective.

SECOM has built a stable capacity for generating cash and a robust financial foundation over many years. In the fiscal year ended March 31, 2026, net cash provided by operating activities totaled ¥203.6 billion, while free cash flow amounted to ¥115.0 billion. (All figures herein are calculated in accordance with Japanese GAAP.) Nonetheless, we recognize that clarifying the link between the outcome of strategic investments and increases in corporate value and further improving capital efficiency remain key management challenges. To further boost corporate value, we must not only improve profitability and cash generation but also optimize the allocation of management resources by focusing on capital costs. As Head of the Finance Division, I will strive both to improve the quality of capital and to maintain financial soundness.

In this new role, I will strive to ensure meticulous financial governance and financial flexibility. In keeping with our raison d'être, which is to deliver safety and peace of mind, maintaining financial soundness will enable us to continue providing services, even if unexpected circumstances arise, as well as to be agile in allocating capital appropriately to investments in our business foundation, investments in growth and shareholder returns appropriately in response to changes in the operating environment and to business opportunities. In addition, the Finance Division will work to further heighten the visibility of the Group's operations, leverage financial data as a key management resource, and reinforce our role as an entity that supports management's decision making through the timely provision of appropriate information.

Financial strategies for achieving the targets of our Road Map

The SECOM Group Road Map 2027 sets a target for ROE of 10% by the fiscal year ending March 31, 2028. We estimate the current cost of shareholders' equity to be approximately 5%–7%. Recognizing that bolstering our ROE depends on expanding profits through both business growth and improved profitability, we will strive to ensure sustainable profit growth by extending high-value-added services, deploying DX in the security services business, and fortifying our overseas operations, thereby elevating both profitability and productivity. In addition, we will endeavor to achieve our dividend payout ratio target of around 45% through stable dividends and the flexible repurchase of treasury shares to guarantee an appropriate level of equity.

Our dividend payout ratio is projected to reach 45.9% in the fiscal year ending March 31, 2027. In May 2026, we made the decision to repurchase its own shares (up to ¥100 billion). Efforts will also be made to lower capital costs, notably through investments in human resources, promoting management practices that respect sustainability and enhancing information disclosure. We will monitor the progress of initiatives using both financial figures and business-specific KPIs as we work to ensure the SECOM Group Road Map 2027's key initiatives translate decisively into higher corporate value.

Capital allocation, investments in growth and shareholder returns

Over the two fiscal years ending March 31, 2027 and 2028, we expect net cash provided by operating activities to reach ¥390 billion. Of this, we intend to allocate approximately ¥130 billion—¥140 billion to investments in our business foundation to support the stable expansion of existing businesses and around ¥70 billion—¥150 billion to investments in growth, and, having made such investments, to ensure stable and continuous returns to shareholders. As a company committed to delivering safety and peace of mind, we place great importance on providing stable, uninterrupted services even in the event of a large-scale disaster. We will maintain approximately ¥300 billion as required capital to guarantee our ability to do so, taking into account business continuity–related risks and the potential for emergency investment needs.

Investments in our business foundation center on those aimed at expanding existing businesses, such as outlays for security equipment and internal infrastructure building. Investments in growth emphasize allocations for developing new products, constructing data centers, modernizing internal IT systems, conducting M&As, and securing and fostering human resources. For each investment opportunity, we will carefully consider a variety of factors, including growth potential, investment efficiency and compatibility with cost of capital, as well as Group synergies and risks. We will also consider making use of debt capital if needed. While adhering strictly to such investment guidelines and capitalizing on promising growth opportunities, we will also strive actively to enhance returns to shareholders through dividends and the repurchase of treasury stock.

Optimizing our business portfolio and allocating management resources

Looking ahead, we will comprehensively assess our business portfolio, looking not only at financial performance but also at synergies with other businesses and importance to society. Based on factors such as growth potential, investment efficiency, outlook for market growth, overall industry profitability and relative market share, we will classify our businesses into four categories: businesses that drive growth, businesses that maintain or improve profitability, businesses that require development and careful observation, and businesses that require restructuring.

We will prioritize the allocation of capital to accelerating the advance of businesses that drive growth and enhancing the competitiveness and cash-generating capabilities of businesses that maintain or improve profitability. For businesses that require development and careful observation, we will establish clear timelines and milestones to monitor progress, while for businesses that require restructuring we will explore Group realignment as needed. Rather than making determinations based solely on current profitability, we will evaluate contribution to overall Group performance and future potential, thereby enabling us to delineate a path forward toward the creation of a virtuous cycle of social and economic value by setting appropriate pricing, scaling up, improving operational efficiency and leveraging Group synergies.

Creating a virtuous cycle of social and economic value

In line with our fundamental goal of extending services that benefit society as a whole, we have worked tirelessly to realize the Social System Industry, thereby fulfilling our commitment to provide services and systems that deliver peace of mind and contribute to the betterment of society, which is set forth in "The Constitutions of the SECOM Group in Business and Management." To create the aforementioned virtuous cycle, we will allocate capital—including human capital, our customer base and other forms of non-financial capital—in a disciplined manner to businesses that provide value to society, yielding sustainable improvements in profitability and the increased generation of cash, which is then redirected toward future investments in growth and to shareholder returns. Creating this virtuous cycle will enable us to achieve financial flexibility, that is, an exceptional balance of financial soundness, growth potential and capital efficiency. This, in turn, will help ensure the sustainable enhancement of SECOM Group's corporate value.

SECOM Group Road Map 2027 Targets (Japanese GAAP)

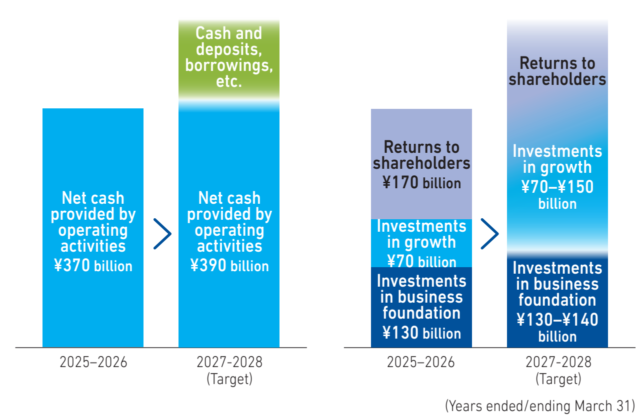
	Targets for the fiscal year ending March 31, 2028	Results in the fiscal year ended March 31, 2024	Results in the fiscal year ended March 31, 2025	Results in the fiscal year ended March 31, 2026	
Consolidated net sales	At least ¥1,250.0 billion	¥1,154.7 billion	¥1,199.9 billion	¥1,256.9 billion	Target achieved
Consolidated operating profit	¥160.0–¥180.0 billion	140.7 billion	¥144.3 billion	¥160.3 billion	Target achieved
Dividend payout ratio	Around 45%	39.4%	37.5%	36.2%	
ROE	10%	8.5%	8.7%	8.7%	

Key factors behind the achievement of targets

(1) Expansion of profits
- Creation of high-value-added services
- Improved productivity
- Pricing commensurate with quality

(2) Optimization of shareholders' equity

Capital Allocation



Returns to Shareholders