



DELIVERED ELECTRONICALLY

September 29, 2026

To: The Board of Directors of SECOM CO., LTD.

Mr. Yasuyuki Yoshida / Mr. Tatsuro Fuse / Mr. Takashi Nakada / Mr. Makoto Inaba / Mr. Noriyuki Fukuoka / Mr. Kiyoshi Hine / Mr. Hajime Watanabe / Ms. Miri Hara / Mr. Kosuke Matsuzaki / Ms. Yukari Suzuki / Ms. Junko Yazawa

Dear Members of the Board,

We are Flashlight Capital Partners (“Flashlight Capital”), an institutional investor based in Singapore with a focus on long-term investments in publicly listed companies. On behalf of our clients, we have built a position in SECOM CO., LTD. (the “Company”) through the accounts we manage.

Since our first contact with SECOM on July 7, 2026, we have made numerous attempts to engage with the Board, without a substantive response. We have therefore decided to set out our concerns publicly, so that the Board and SECOM's other shareholders can consider them.

IMPENDING DEADLINE

In Japan, setting a mid-term roadmap has become standard market practice for listed companies.¹ SECOM has also announced such roadmaps since 2017 as mid-term milestones toward its long-term vision: Vision 2030 (announced May 2017), followed by Road Map 2022 (announced May 2018), and Road Map 2027 (announced May 2023).

In Road Map 2027, SECOM set out several targets to be met by March 2028. Of those, the revenue and EBIT targets have already been achieved, and we believe the ROE target can also be met in time, through additional share buybacks. The overseas expansion target, however – to raise overseas revenue to 10% of the total – remains well out of reach. Since Road Map 2027 announcement in 2023, the figure has barely moved: 5.3% then, 5.4% now.²

What is less clear is whether this target remains on SECOM's agenda. In SECOM's 2023 annual report (published September 2023), both the 10% target and the actual progress figure (5%) were stated clearly in the CEO's message, under then-CEO Ozeki. In the annual reports that followed, under new CEO Yoshida, neither the target nor the actual progress figure appeared in the CEO's message again. After reading 91 beautifully produced pages of the SECOM Report, we are left wondering how minor updates – such as a new hospital in Bengaluru – will help meet the 10% target, with only a year and a half left on the clock.

Against this backdrop, the voices of two outside directors in the 2025 SECOM Report particularly stood out to us.³

“I would like to make a few candid comments... (on) the expansion of overseas operations... there is room for further improvement... (we need) more in-depth discussions and effective decision-making... the strategic use of M&As and... monitoring of overseas Group companies.”

– Mr. Kosuke Matsuzaki

“I also think that further improvements could be made to governance as (SECOM) seeks to promote globalization... it is important to resolve differences in management policies and

¹ 87% of listed companies have set a mid-term roadmap, and 75% go on to publicly announce it. Source: Japan IR Association (October 2025).

² SECOM Road Map 2027 and Consolidated Financial Results (Mar 2026).

³ SECOM Report 2025, Messages from Outside Directors, published September 18, 2025.

governance levels that exist between the parent company and subsidiaries overseas, and to build a seamless global management configuration.”

– Ms. Yukari Suzuki

These remarks signal that the overseas issue is not receiving the attention it warrants from management, and that the Board has yet to remedy the problem.

OVERSEAS, NEGLECTED

As of FY2026 (year ended March 2026), overseas revenue accounted for just 5.4% of SECOM's total. Analyzing the figure further, we noticed that SECOM's largest overseas affiliate in Korea, S-1, was excluded from that calculation. J-GAAP requires more than 50% ownership for consolidation, and SECOM's 26% stake in S-1 falls short of that threshold.

S-1 is not only SECOM's largest overseas holding – it is larger than all of SECOM's other overseas subsidiaries combined, with revenue equal to roughly 24% of SECOM's own.

S-1 is Korea's largest security services company, but its market share has been steadily declining, from 65.0% in 2015 to 50.9% in 2025, before slipping below 50% for the first time in 1H 2026.⁴ Its profitability is also deteriorating, and has consistently lagged that of its smaller rival.⁵

SECOM has been a shareholder of S-1 since 1980, when the company was formed as a JV with Samsung, and has remained its largest shareholder ever since. Samsung, one of the largest and most successful conglomerates in Korea, owns 20.6% of S-1, and may once have seemed the ideal partner. Today, though, that same scale works against SECOM; Samsung Group comprises some 67 affiliates spanning semiconductors, biotech, finance and more. Within this gigantic empire, S-1 could hardly be more non-core and receives scant attention.

Despite being a smaller shareholder than SECOM, Samsung controls S-1, including the appointment of its CEO. Past S-1 CEOs have been Samsung Electronics veterans with no prior experience in the security industry, including its former HR Head, Accounting Head, and Head of the group's food catering business.⁶ This revolving door of CEOs has fostered a deep low-bar culture. One of them even took pride in the fact that the company had merely stayed profitable as market share, profitability, and the stock price all nosedived.

If the local partner does not take care of the business, appears content to use it as a dumping ground for its former executives, and does not treat SECOM as its largest shareholder, that arrangement no longer deserves the name “partnership.” There is another word for that.

Strangely, SECOM does not appear to take this seriously. Across 91 pages of SECOM's annual report, the word “S-1” appears only three times, in the blandest possible terms.⁷ Nowhere does the report mention S-1's outsized scale, SECOM's position as its largest shareholder, or its deteriorating performance. We wonder: when is the last time SECOM's CEO visited Korea? If SECOM cannot protect its own, how can it protect others?

Beyond S-1, we found one more overseas business in a similar situation: Taiwan SECOM, established in 1977 as SECOM's first overseas venture. SECOM remains its largest shareholder, with a 28% stake. Taiwan SECOM generated approximately JPY90 billion in revenue in 2025, equivalent to about 7% of SECOM's total.⁸

⁴ S-1 market share, based on combined revenue of S-1, SK Shieldus and KT Telecop, 2015–1H 2026.

⁵ 2025 EBITDA margin: 14% (S-1) vs. 21% (SK Shieldus)

⁶ The current S-1 CEO, since March 2026.

⁷ SECOM Report 2025.

⁸ Taiwan Secom Co., Ltd. (TWSE: 9917) public filings; FCP analysis.

Acquiring the additional stakes needed to reach 50%+1 ownership in both companies would require less than JPY156 billion in total⁹, while immediately increasing SECOM's consolidated revenue by 31% and EBITDA by 28%.¹⁰

With full control and accountability, SECOM could meaningfully improve the growth and profitability of both companies. They also offer an elegant solution to the Road Map 2027 puzzle: consolidating both would immediately lift SECOM's overseas revenue to 28% of the total, nearly three times the original target.

THE UNBEARABLE LIGHTNESS OF VISION

There is a fundamental question. What is the current management team trying to turn SECOM into? And what was SECOM meant to be when it was founded, in 1962?

Today, SECOM is the clear No. 1 in Japan. Few people realize that SECOM is also the largest security company in the world by revenue; as of FY2026, SECOM's revenue of approximately \$7.99 billion was significantly larger than ADT's (US, approximately \$5.13 billion) or Verisure's (Europe, approximately \$4.27 billion).¹¹

But SECOM's No. 1 status rests on size alone, not on quality. Verisure, in fact, is catching up fast: over the past ten years, it has grown at a 13.6% compound annual rate, compared to only 3.4% for SECOM. At this pace, Verisure could overtake SECOM in size as early as 2032.

Profitability tells an equally worrying story: Verisure's EBITDA margin improved from 35.4% to 36.8% over the past five years, while SECOM's slipped from 20.2% to 19.2%.¹² SECOM's profitability is now barely half of Verisure's – all the more striking given that SECOM's average revenue per customer (ARPU) is substantially higher.

The key difference is overseas exposure: SECOM generates 5% of revenue from overseas, versus 93% for Verisure.¹³ Market count isn't what separates them – both operate in the same number of countries – it is the quality of execution. The market has taken note: Verisure trades at 9.9x EV/EBITDA, versus 6.6x for SECOM.^{14,15}

It was against this backdrop that, in May 2026, SECOM unveiled Vision 2040, declaring its new direction to be 'Peace of Mind through Anticipation.' We read the 12 pages back to back multiple times. We are still not sure what this means. What is clear is that it is a masterstroke of escapism – one that will not steer the Company for the next fourteen years. An unbearably light and empty catchphrase like this doesn't just fail to confront SECOM's complacency; it entrenches it.

REKINDLE THE SECOM SPIRIT

This emptiness stands in stark contrast to the ethos on which SECOM was founded. Its late founder, Mr. Makoto Iida, built the Company not only on a strong business model, but on a set of values just as strong. At the heart of his philosophy was a single idea: radical challenge. Among his many memorable words were:

“SECOM will accept opportunities as challenge.”¹⁶

⁹ JPY90 billion for S-1, JPY66 billion for Taiwan SECOM, each assuming a 30% premium to the current share price.

¹⁰ Assumes acquisition of shares needed to reach 50%+1 at a 30% premium to the September 23, 2026 share price for each company; revenue and EBITDA based on FY2025 results, FX as of 2025 average.

¹¹ SECOM revenue as of FY2026 (year ended March 2026); ADT and Verisure as of FY2025 (year ended December 2025). FX as of September 25, 2026. Source: public company disclosures; FCP analysis.

¹² SECOM (FY2021–FY2026) and Verisure public filings (FY2020–FY2025) (SECOM fiscal year-end March; Verisure fiscal year-end December); FCP analysis.

¹³ SECOM overseas revenue per FY2026 results; Verisure overseas revenue per FY2024 public filings (no information available for Verisure for 2025); FCP analysis.

¹⁴ EV/EBITDA as of September 25, 2026. Source: FCP analysis of public market data.

¹⁵ Déjà vu: in Korea, S-1 trades at one-third the valuation of its smaller rival, SK Shieldus.

¹⁶ 1983, SECOM's First Mission Statement <https://www.secom.co.jp/english/about-us/management/youtei.html>

“Never give up halfway. We should challenge ourselves continuously.”¹⁷

“SECOM should always have the Spirit of Challenge, and the Spirit of Breaking the Status Quo.”¹⁸

“Management is challenge plus speed.”¹⁹

We were especially struck by an anecdote from 1970, when Mr. Iida made a decision that would fundamentally change the course of SECOM.

Major Transformation / No Turning Back

“...in 1970, I finally resolved to make the major transformation. At a branch managers’ meeting held at the Fujiya Hotel in Hakone, I declared in front of about 30 executives:

‘Devoting manpower to work that machines can do undermines human dignity. Therefore, we will abolish patrol-based security. We will not increase manned, stationed security either, and will raise its prices substantially. Going forward, our business will be built around SP Alarm alone.’

The executives’ faces all turned pale in unison. They had good reason to be.

The number of patrol-security contracts had exceeded 2,000 by the end of the previous year, reaching its peak. Machine-based security, meanwhile, numbered only 500 contracts. Since there had been no prior discussion, it must have come like a bolt from the blue.”

– My Resume; Nikkei²⁰

To walk away from a business at its very peak and venture into unfamiliar, uncertain territory must have required extraordinary conviction. Yet once Mr. Iida made the bold call, there was no turning back.

We believe SECOM faces a similar moment today. It is comfortable in Japan, with the strongest brand in its industry. It knows its future lies overseas, but that path is uncertain, to say the least. What would Mr. Iida do in this situation? What would he say to SECOM’s management team today?

NO TURNING BACK

We believe SECOM’s Board has an important task in front of it, and we would like to make a few requests.

First, practice ‘brutal honesty.’

We ask the Board to undertake a rigorous review of SECOM’s governance, incentives, and management, and to confront what we believe has been years of complacency, weak execution, and a low-bar culture that has permeated the entire organization. As part of this review, we ask the Board to give serious consideration to whether SECOM’s current leadership is equipped to confront these problems. What the Board finds may not be flattering. Yet there is no other way. It is time for intellectual honesty, in keeping with the Board’s duty to SECOM, its employees, and its shareholders.

¹⁷ July 1992, The Constitutions of SECOM Group (SECOM Group’s 30th anniversary)
<https://www.secom.co.jp/english/about-us/management/constitutions.html>

¹⁸ 1992, Ten Fundamental Management Policies; <https://www.secom.co.jp/english/about-us/management/constitutions.html>

¹⁹ 2003, 経営の実態—8つの重要なポイント, 中経出版

²⁰ <https://www.nikkei.com/article/DGXZQOKC26A2Z0W5A920C2000000/>

Second, consolidate S-1 and Taiwan SECOM and take full accountability.

The strange cohabitation, in which SECOM holds the largest stake yet is treated as anything but, must end today. If the other party is unwilling to listen to SECOM's requests, or if SECOM is no longer comfortable with the partner it has, it is time to start anew, rather than keep up the pretense.

Third, develop a new mid-term plan that lives up to SECOM's founding principle.

From its earliest days, SECOM's ambitions were never meant to be small, or to be confined within Japan. Develop a new road map worthy of that spirit: set ambitious growth targets, define clear capital-allocation priorities, and lay out a credible path to globalization.

If these requests are met, we believe SECOM's share price could be re-rated to at least JPY10,000 per share, driven by both an expanded financial base and a higher valuation.

Equally importantly, SECOM could break free of its own complacency and build a company that its employees and shareholders can be truly proud of – just as Mr. Iida envisioned.

“First, I thought, ‘No one has ever done this.’...

People think only about why something cannot be done, or why it might fail, and in the end, they do nothing... The path ahead may be a sheer cliff – I have no idea. But I take the step. Perhaps that is the difference: I did what others would not.”

– Mr. Makoto Iida²¹

Sixty-four years after its founding, SECOM finds itself at another crossroads. The path ahead may be uncertain, but that is precisely when the Spirit of Challenge matters most. We hope the Board will have the courage to take that step.

The Appendix sets out the questions we hope the Board will address, together with the supporting analysis.

We look forward to a substantive response from the Board by October 23, 2026.

Sincerely,

Flashlight Capital Partners

Sanghyun Lee

Chief Executive Officer



²¹ 世界のどこにもない会社を創る! セコム創業者の痛快な起業人生 (2007, 草思社)

APPENDIX I: FIVE QUESTIONS TO THE BOARD

- 1** How does SECOM plan to achieve 10% overseas target, during the next 18 months?
- 2** What caused SECOM to neglect its largest overseas affiliate?
What does this mean for SECOM's investment in 165 companies?
- 3** Will SECOM consolidate S-1's and Taiwan SECOM's financials onto its books and take full accountability?
- 4** Will SECOM develop a new roadmap with ambitious targets for growth and profitability?
- 5** Does the Board believe Mr. Yasuyuki Yoshida and his team are the right people to develop and execute SECOM's new growth plan?

APPENDIX II: SUPPORTING ANALYSIS

Provided separately: "The Unbearable Lightness of Vision" (presentation)