



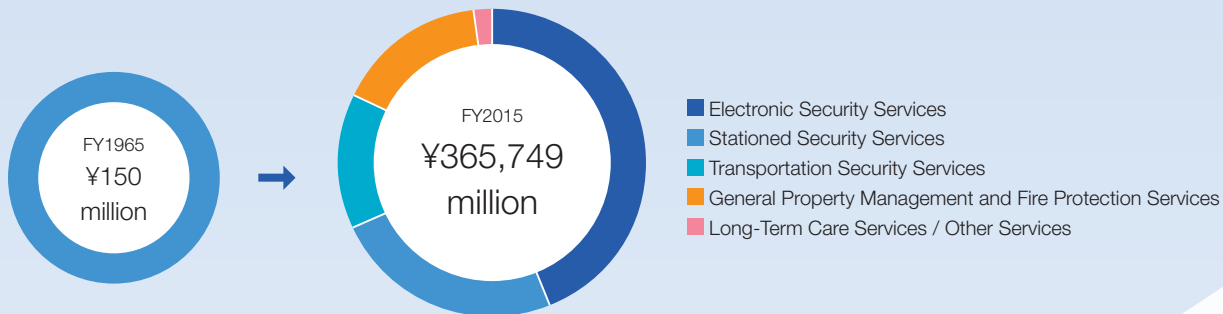
# The Next Stage

**ALSOK REPORT 2015**

Fiscal year ended March 31, 2015  
**SOHGO SECURITY SERVICES CO., LTD.**

# Half a Century of Responding to Changing Social Needs

Since its establishment in 1965, the Company has continued to expand its business by playing an important role as a part of Japan's economic and social infrastructure and as a leader in the Japanese security services industry. Amid rapidly changing conditions in the industry, we are contributing to the safety and security of our customers and society by offering products and services that accurately respond to ever-changing social needs.



## Founding of the Company, Launch of Stationed Security Services

After its founding, the Company began providing stationed security services through large-scale contracts with major companies, financial institutions, and other organizations.

Jul. 1965 Launches stationed security services upon Company's founding



## Commencement of Transportation Security Services

Targeting financial institutions, ALSOK later commenced transportation security services for marketable securities.

Feb. 1966 Begins providing transportation security services  
Jan. 1971 Starts SOK ARIGATO UNDO (currently ALSOK ARIGATO UNDO)



## Start-up of Electronic Security Services

After pushing forward with the development of electronic security systems aimed at reducing labor requirements for security services, the Company began offering its SOK Guard System.

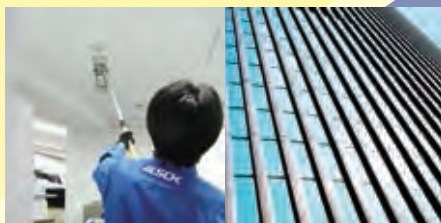
Sep. 1967 Launches SOK Guard System in electronic security services (currently ALSOK Guard System)  
Mar. 1970 Provides security services at Expo '70, in Osaka  
Feb. 1972 Provides security services at Winter Olympic Games, in Sapporo  
Jan. 1975 Launches AMAND SYSTEM for automated management of ATMs  
Jun. 1979 Provides security services at 5th G7 Summit held in Tokyo  
Mar. 1983 Receives first security business certification from Tokyo Metropolitan Public Safety Commission

# The Next Stage

# 2015 50th Anniversary of Foundation

Looking forward  
to the next 50 years

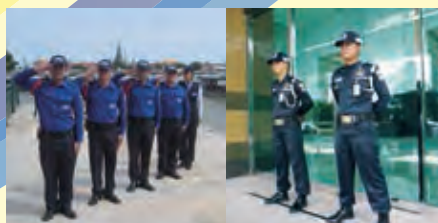
# 50



## Entry into General Property Management and Fire Protection Services

To respond to needs for the rationalization and integration of building management, ALSOK launched cleaning and facility management services in addition to fire protection services.

- Apr. 1988 Launches TAKURUS home security system
- Apr. 1993 Commences general property management services
- Oct. 1997 Launches Cash Deposit Machine On-line System
- Sep. 2002 Acquires quality management system accreditation
- Oct. 2002 Lists stock on first section of Tokyo Stock Exchange
- Jul. 2003 Changes corporate brand name from "SOK" to "ALSOK"
- Oct. 2004 Acquires information security management system accreditation
- Mar. 2005 Provides security services at Expo 2005, in Aichi Prefecture
- Apr. 2005 Expands ALSOK ANSHIN KYOSHITSU elementary school crime prevention class program to all of Japan



## Overseas Expansion

The Company began overseas expansion by catering to security demand from Japanese companies developing operations in Southeast Asia.

- Nov. 2006 Launches REBORG-Q security robot system that employs both robots and security guards for providing stationed security services
- Oct. 2007 Establishes ALSOK (Thailand) Co., Ltd., in Thailand
- Nov. 2009 Establishes ALSOK (Vietnam) Co., Ltd., in Vietnam
- Dec. 2010 Establishes ALSOK Trading Co., Ltd., in China
- Feb. 2011 Converts Japan Facilio Co., Ltd., into subsidiary
- Jun. 2011 Launches ALSOK-GV security system
- Mar. 2012 Establishes ALSOK Malaysia Sdn. Bhd., in Malaysia
- Aug. 2012 Establishes Seoul Representative Office of Sohgo Security Services Co., Ltd., in South Korea
- Oct. 2012 Establishes new HOME ALSOK brand of services for individual users  
Launches HOME ALSOK Premium



## Broadening of Business Scope

To better respond to diversifying security needs, ALSOK began broadening the scope of its business to include peripheral fields that are highly compatible with its security services.

- Nov. 2012 Enters into long-term care business  
Acquires shares in HOCHIKI CORPORATION (becomes equity-method affiliate)
- Feb. 2013 Establishes PT. ALSOK Indonesia, in Indonesia
- Mar. 2013 Establishes ALSOK Consulting (Thailand) Co., Ltd., in Thailand  
Establishes ALSOK India Private Limited, in India
- Jul. 2013 Acquires PrivacyMark® accreditation
- Sep. 2013 Launches HOME ALSOK MIMAMORI SUPPORT
- Nov. 2013 Cumulative number of participants in ALSOK ANSHIN KYOSHITSU program exceeds one million
- Mar. 2014 Acquires business continuity management system accreditation
- Apr. 2014 Converts ALSOK Souei Co., Ltd., into subsidiary  
Establishes Manila Representative Office of Sohgo Security Services Co., Ltd., in the Philippines  
Converts Nippon Building Maintenance Co., Ltd., into subsidiary
- Sep. 2014 Converts ANTEI CARE Inc. into subsidiary
- Oct. 2014 Converts HCM Corporation into subsidiary
- Oct. 2014 Establishes Myanmar Office of ALSOK Consulting (Thailand) Co., Ltd., in Myanmar
- Feb. 2015 Converts ALSOK Care & Support Co., Ltd., into subsidiary

We will protect the safety and security of society in accordance with  
ALSOK's management philosophy.



# Business Reforms Targeting Long-Term Development

The security services industry is undergoing rapid change fueled by such trends as the advance of information and communications technology (ICT) as well as the aging population of Japan and the country's declining birth rate. Amid these changes, the ALSOK Group aims to support people's safety, security, and comfortable living by protecting facilities, people, and properties.

## Expansion of HOME ALSOK Brand of Products and Services for Individual Users

ALSOK is going beyond traditional home security services, which only protect people's homes, to provide products and services that respond to various needs of customers with the hope of enabling them to feel safe and secure no matter where they are.

With this aim, we are rolling out numerous services for individuals and families. For example, we provide MAMOLOOK, a mobile security service to watch over customers and, if needed, find them and dispatch guards to their location. Another service is HOME ALSOK MIMAMORI SUPPORT, which offers monitoring of senior citizens as they go about their daily lives to watch over them 365 days a year. Meanwhile, the HOME ALSOK ALBO eye monitoring service uses sensor-equipped web cameras to allow customers to personally confirm images from their own homes and request security dispatch services as they deem necessary. We also provide long-term care and related services.

Going forward, ALSOK will continue to maintain a lineup of product and services that meet the various safety and security needs of individual users, ranging from the protection of children's safety to the provision of long-term care for senior citizens.

**MAMOLOOK  
(Mobile Security)**



Mobile security terminal equipped with communications and safety confirmation functions

**HOME ALSOK  
MIMAMORI SUPPORT**



Monitoring of senior citizens 24 hours a day, 365 days a year as they go about their daily lives that provides emergency reporting and consultation services

**HOME ALSOK ALBO eye**



Monitoring service that enables customers to check images and sound recordings on the go

**Long-Term Care and Related Services**



Long-term care service brands AMICA (HCM Corporation) KATAKURI (ALSOK Care & Support Co., Ltd.)

## Overseas Expansion Centered on Southeast Asia

The ALSOK Group began aggressive overseas expansion in 2007 in the midst of a rise in the number of Japanese companies developing operations abroad. Currently, our network of subsidiaries and representative offices encompasses 10

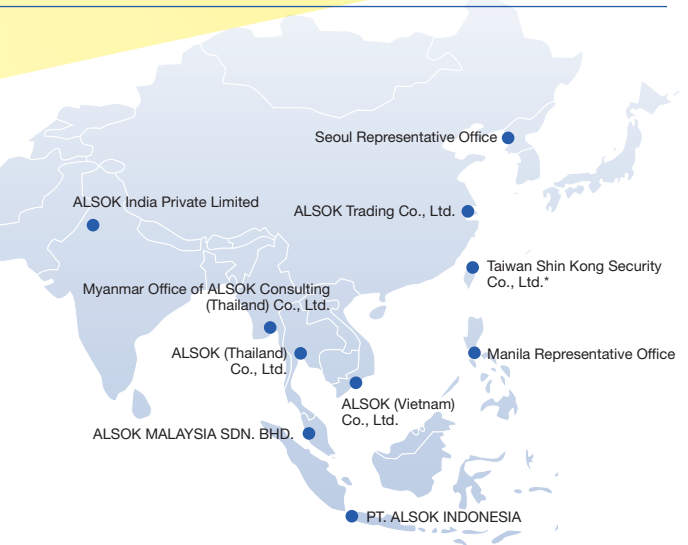
regions centered on Southeast Asia. By utilizing this network, we primarily provide security services and security consulting to Japanese companies.

In the fiscal year ended March 31, 2015, we continued to offer products and services based on the security expertise we have accumulated through operations in Japan and custom-tailored to the characteristics of specific countries. For example, we launched the first electronic security services operations to be directly managed by the Company in Thailand. ALSOK will vigorously develop its overseas operations into the future with the aim of supporting customers conducting business outside Japan.

**ALSOK-GV Internet-Based Image Monitoring Security System**



Service allowing information on when employees arrive at and leave work to be viewed and facilities to be operated remotely via the Internet



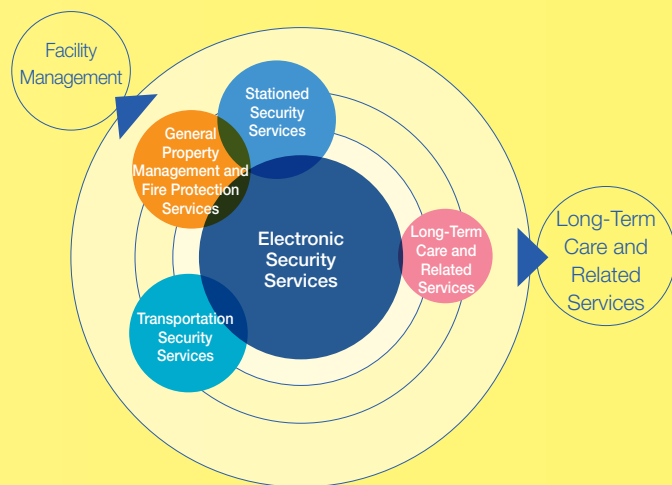
\* The Company's connection with Taiwan Shin Kong Security Co., Ltd., is limited to investment.

# The Next Stage

## Expansion of Business Scope into Fields Highly Compatible with Security Services

In addition to strengthening its mainstay security services operations, ALSOK is expanding the scope of its business to include building maintenance, long-term care, and other fields that are highly compatible with security services.

Furthermore, in its facility management operations, the Company provides facility security and other security services as well as a range of other services on a one-stop basis. We thereby respond to customers' various needs for the maintenance, management, and operation of buildings, condominiums, and other facilities. At the same time, services for senior citizens have been identified as an area of crucial importance, and we are therefore developing long-term care operations. Through close coordination among ALSOK Group companies, we aim to create new services that form a seamless link between security and long-term care.



## Development of New Products and Services to Respond to Diversifying Risks and Needs

ALSOK is committed to developing new products and services to protect customers from the diverse risks that arise from technological advances and changes in the operating environment.

One major breakthrough has been the development of ALSOK Zone Security Management, a new service that calls upon our security expertise and ICT capabilities to provide safety and security to urban zones and at large-scale events. This service combines various services utilizing state-of-the-art technologies, including ALSOK Hyper Security Guard, our new brand of security guards armed with advanced IT equipment; REBORG-X automated patrol robots; and countermeasures for security breaches by drones. The Company is also bolstering its lineup of products and services that grant security and convenience across all areas of the private and public sectors. Such offerings include our information security services, which protect against cyber-attacks, and ALSOK My Number Solutions, a solutions service created in light of the enactment of Japan's Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure, which will result in the introduction of the "My Number" system. We also provide Underpass Monitoring Service designed to help prevent road flooding and ALSOK Aerial Photography Services, which utilize aerial robots to take photographs of large-scale solar power installations.

REBORG-X



Robots with personnel identification and automated patrol functions

ALSOK Hyper Security Guard



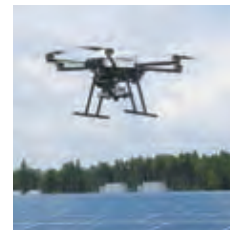
Security guards armed with wearable cameras, smartphones, and other IT equipment

Information Security Services and ALSOK My Number Solutions



Solutions service that respond to new risks and needs

ALSOK Aerial Photography Services



Services that utilize aerial robots to inspect the panels of large-scale solar power installations

The ALSOK Group will continue working to ensure people can live safe, secure, and comfortable lives.

## Top Interview

Message Based on an Interview with the Chairman

By drawing on the experience and expertise we have accumulated over the years, we will cultivate human resources suited to a company that is truly of the highest caliber as we progress forward over the next 50 years.

The  
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Stage

*Atsushi Murai*

Chairman and Representative Director  
Chief Executive Officer (CEO)



### ALSOK's 50th Anniversary

In 1965, Jun Murai founded the Company out of the desire to help the police and fire departments protect the safety of society, creating a security company of a style unique to Japan. In 2015, we celebrated the 50th anniversary of ALSOK's founding.

The industry now known as the security services industry in Japan dates back to before World War II. Although the police were initially the main proponents of this industry, I believe the current industry features an effective segregation of duties, with the police responsible for addressing crimes that have been committed while security companies are tasked with preventing crime. ALSOK was born during the period of the so-called Japanese post-war economic miracle, a time when security services came to be essential for the greater society. The Company played a key role in pioneering this burgeoning industry.

In the years that followed, the rise of globalization and the development of society led to changes in the policies of our customers as well as in public opinion. Over the years, we continued to tailor our business

and expertise to the changing times. Nevertheless, we also remained true to our core management philosophy, which is exemplified by the concepts of *arigato no kokoro*, an ever-present feeling of gratitude; *bushi no seishin*, a strong and noble samurai spirit that emphasizes teamwork and unity above all else; and *yacho seishin*, a "wild bird spirit" that inspires us to persevere and survive under even the most difficult conditions. Based on this core philosophy, we devoted ourselves to the provision of security services of the first rank. Our ability to grow ALSOK into the company it is today was not the result of any one fateful opportunity but was rather the product of our continued steadfast effort to develop our business. The security services industry was almost completely unknown at its inception. However, it has now established a solid position as a social fixture, a fact that fills me with joy. Although we have just now celebrated our 50th anniversary, we must remain aware that society's need for safety and security will always exist and, by virtue of that, ALSOK's mission has only just begun. This conviction will spur us forward into the future.

## Strengths Forged over Half a Century

ALSOK boasts impeccable service quality. Our devotion to our duties has led to improvements in the quality of our services, which I believe is our most prominent strength.

While establishing the aforementioned service quality, the ALSOK Group has amassed a nationwide staff of more than 30,000 people and accumulated a wealth of experience and expertise, which all represent core strengths. Another strength is the convenience born out of our ability to dispatch guards to location in Japan—24 hours a day, 365 days a year—via electronic security services, stationed security services, and transportation security services that are available throughout the country. In addition, we are faithfully working to provide services of superior quality, and these efforts have won us the trust of customers, a fact that represents another of our strengths. For example, we strive to develop human resources that live up to the expectations of society and therefore offer employees training and education to foster good corporate ethics and thorough compliance awareness as well as to help them acquire specialized knowledge and skills. This commitment to human resource development is based on the realization that our business entails protecting the lives, well-being, and assets of customers, meaning that the standards we must uphold to properly perform our duties are incredibly rigorous. This situation requires us to cultivate trustworthy employees.

## Vision for the Next 50 Years

ALSOK has defined the goal of achieving consolidated net sales of ¥1 trillion within the next 10 years. I realize that improving performance in the current fiercely competitive environment will require that our employees become more relatable as human beings while becoming even more competent at performing their duties. I firmly believe that it is by cultivating human resources suited to a company that is truly of the highest caliber and continuing to instill new employees with this same level of excellence that ALSOK will fuel its development over the next 50 years.

Future political and economic trends are not easy to predict. Nonetheless, I think it is important for ALSOK to expand its operations into peripheral fields that are highly compatible with its mainstay security services operations, leveraging its ability to provide service anywhere in Japan—24 hours a day, 365 days a year—during this process. Our services are evolving to go further than simply protecting facilities, people, and properties in order to support people in living safe, secure, and comfortable lives. I hope that ALSOK will always be a company that remains ever-responsive to changing operating conditions, moving beyond the boundaries of traditional security services and acting as a company essential to society. Demonstrating its position as such a company, ALSOK recently received the first prize in Social Value and Capital Formation M&A Awards. This award, which is sponsored by the Development Bank of Japan and presented to companies that have conducted mergers or acquisitions with the potential to create significant social value and capital, was received in recognition of the acquisition of HCM Corporation, a company that offers long-term care services. Through this acquisition, the Company aims to develop its security services for senior citizens in order to provide security across all areas of their lives. I therefore feel that our receipt of this award is an

acknowledgment of our drive to provide higher levels of safety and security to the community and thus represents the approval of our business policies.

Furthermore, ALSOK views the upcoming 2020 Summer Olympic and Paralympic Games in Tokyo as an opportunity to further its growth. Acting as a Tokyo 2020 Official Partner in the category of “Security Service and Planning,” we aim to take advantage of this opportunity to solicit the high quality of Japanese security services and show hospitality to visitors from around the world. Looking 50 years down the line, we hope to develop ALSOK into a company that is deemed to be truly of the highest caliber in both Japan and overseas.

## Revision of the ALSOK Charter

The ALSOK Charter outlines the spirit of our founder and sets forth a road map for the Company that also guides the activities of all employees. This charter was initially established when we celebrated the 35th anniversary of the Company in 2000. Taking into account the changes in our business scope, market size, and other factors that have occurred since then, we chose to revise the charter in commemoration of the Company’s 50th anniversary in order to ensure that it remains viable into the future. At ALSOK, we speak of “principled companies” in the same way one might refer to principled people, endeavoring always to act as a highly principled company. The new ALSOK Charter was made to ensure this ideal could be effectively communicated no matter how our business scope may expand in response to changing social needs.

The ALSOK Charter, by its very nature, is a document that is meant to be adhered to over the long term. For this reason, we refrained from making large revisions and instead focused on amending the charter to reflect the changes that have occurred between the Company’s 35th anniversary and today, incorporating the opinions of younger employees along the way. The new ALSOK Charter encourages our employees to become even-more principled individuals while we simultaneously work to make ALSOK into an even-more principled company. It also urges us to offer, to a wide range of customers, products and services that contribute to the development of society in new areas in which we can respond to contemporary needs. By positioning the ALSOK Charter as our shared motivation, we will push forward with the development of our business over the next 50 and then 100 years.





# Top Interview

Message Based on an Interview with the President

We aim to build a high-profit constitution by expanding existing business through the improvement of productivity and by maximizing the benefits of intra-Group synergies.

The  
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Stage



President and Representative Director  
Chief Operating Officer (COO)



## Fifth Consecutive Year of Higher Sales and Income

In the fiscal year ended March 31, 2015, certain sectors of the Japanese economy were weak due to the impacts of the consumption tax hike on consumer spending as well as the effects of natural disasters. However, a modest recovery trend was seen centered on the corporate sector as a result of improvements in corporate performance, the job market, and wage levels. Overseas, there was a trend toward gradual recovery centered on the United States, but the need to carefully monitor future economic trends in Europe and especially in China and other emerging nations remained nonetheless. Public safety issues in principal Middle Eastern nations also warranted caution.

In regard to public safety in Japan, there seems to be no end to the occurrence of stalking, special-case scams, and other crimes targeting women, children, and senior citizens as well as issues involving confidential information, such as personal information leaks. At the same time, there is a pressing need to prepare for natural disasters and monitor social infrastructure. For these reasons, the safety and security needs of society are growing ever more diverse.

In this operating environment, the ALSOK Group pushed forward with efforts to respond to the diversification of society's safety and security needs. To this end, we worked to strengthen our mainstay security services operations while also focusing efforts on peripheral fields that are highly compatible with security services, such as long-term care and building maintenance, and endeavoring to provide products and services related to these fields. At the same time, we pursued cost reductions by consolidating functions in back-office and operating divisions to streamline and rationalize operations. As a result of these efforts, consolidated net sales rose 11.4% year on year, to ¥365,749 million; operating income was up 21.3%, to ¥22,971 million; ordinary income increased 19.1%, to ¥24,700 million; and net income grew 23.5%, to ¥13,534 million. These results made for our fifth consecutive year of higher sales and income, with net sales and ordinary income reaching new record highs.



## Evolution in Response to Diversifying Needs

The core concept behind the ALSOK Group's business is to protect. We protect people, including senior citizens, children, and women living alone, as well as facilities, public infrastructure, ATMs, and countless other articles. The more we consider the needs ALSOK must address from these various perspectives, the more the range of fields that fall under a broader definition of the word "security," such as long-term care and building maintenance, seems to expand. In the fiscal year ending March 31, 2016, we must tackle the challenge of developing operations in these fields into stably performing businesses.

## Formulation of Grand Design 2017

Targeting net sales in the area of ¥1 trillion, the ALSOK Group formulated its new three-year medium-term management plan, Grand Design 2017, or GD2017 for short. This plan is aimed at propelling the Company to a new stage of development and sets out the following consolidated financial goals for the fiscal year ending March 31, 2018: net sales of approximately ¥500 billion; ordinary income of approximately ¥40 billion; an ordinary income margin of approximately 8.0%; and return on equity, or ROE, of approximately 10.0%.

The plan was designed to serve as a compass for guiding us in providing products and services that respond to customer needs as well as to changes in the social environment, global economic trends, and geopolitical risks. By advancing GD2017, we aim to make ALSOK into a company that can continue to support people's safety, security, and comfortable living by protecting facilities, people, and properties.

GD2017 primarily comprises four components: basic policies, market-specific strategies, initiatives supporting market-specific strategies, and financial goals.

The basic policies of GD2017 are to raise consolidated net sales and build a high-profit constitution. In order to build a high-profit constitution, we are expanding existing business by increasing the productivity of sales representatives, maximizing the benefits of intra-Group synergies, and working to provide new products and services that better meet customer needs.



As for GD2017's financial goals, we have set forth the target of achieving ROE of approximately 10.0%, and we aim to accomplish this target by improving the ordinary income margin. Specifically, we will steadily advance market-specific strategies based on the basic policies of the plan to generate cash flows by increasing profit and conduct strategic investments to accelerate business development. We thereby plan to improve ROE while maintaining a stable financial base. The higher profits will be returned to employees as well as to shareholders as we continue to issue stable dividends, targeting a consolidated dividend payout ratio of 30%.

## CSR Activities

With regard to corporate social responsibility, or CSR, we believe that ALSOK's business of protecting the safety and security of society has an inherently high level of social value. Aiming to go one step further, we have identified CSR activities that will contribute to sustainable growth for the Company, and we have organized these into four material CSR themes based on which we are accelerating the implementation of our CSR initiatives.

The first theme is "providing products and services that help resolve social issues." Based on this theme, we launched the HOME ALSOK brand and are expanding the scope of our business, centered on security services, to include long-term care services. We thereby aim to respond to the demand created by the aging of the population in Japan, the country's declining birthrate, and the diversification of customer needs.

The second theme is "cultivating human resources and building a comfortable workplace environment." We realize that competitive human resources are crucial to achieving sustainable growth, and we are thus stepping up a plethora of initiatives for promoting a healthy work-life balance. At the same time, we are making progress favorably toward our target of having 5% of administrative positions filled by women.

The third material CSR theme is "contributing to local communities through active communication." We have delegated the task of developing policies for reaching out to communities to the employees that directly interact with these communities, and we are continually advancing community-rooted initiatives, such as the ALSOK ANSHIN KYOSHITSU elementary school crime prevention class program.

The final theme is "providing trustworthy security services." ALSOK is expected to act in a highly ethical and disciplined manner, and it therefore positions compliance, the protection of information assets, and business continuity as management issues of extreme importance.

Furthermore, the ALSOK Group recognizes that environmental preservation is a universal issue placed before all of humanity. The Group therefore works to cut CO<sub>2</sub> emissions, reduce resource use, and recycle those resources that are used. We are also advancing afforestation activities to protect our precious forests and otherwise doing our part to preserve the environment.

We hope to ensure that customers always feel satisfied when they choose ALSOK. To this end, we strive to act as a highly principled company with the aim of living up to stakeholder expectations, and we will continue conducting CSR activities into the future.

# Long-Term Vision and Medium-Term Management Plan

Striving to be a company that supports people's safety, security, and comfortable living by protecting facilities, people, and properties

Formulation of Grand Design 2017, a three-year management plan guiding the implementation of growth strategies as we target consolidated net sales of ¥1 trillion

## Grand Design 2017

- Economic trends in Europe, the United States, and emerging nations
- Changes in geopolitical risks
- Low birthrate, aging population, and labor scarcity
- Potential of government fiscal measures and regional development and social security costs
- Diversifying risks stemming from the development of technology
- Threats of natural disasters
- Post-disaster reconstruction

Transitioning to a new development stage by implementing growth strategies

Consolidated net sales  
¥1 trillion

2020 Summer Olympic and Paralympic Games\* in Tokyo

Rehearsal event for 2020 Summer Olympic and Paralympic Games\* in Tokyo

Rugby World Cup

Consumption tax increase

Security plan for 2020 Summer Olympic and Paralympic Games\* in Tokyo

Social insurance enrollment issues

My Number system

50th anniversary



2015

2020

GD2017

GD2020

\* The Company has been selected as a Tokyo 2020 Official Partner in the category of "Security Services and Planning" for the 2020 Summer Olympic and Paralympic Games.

## Grand Design 2017

### Basic Policies of Grand Design 2017

#### Raise consolidated net sales

1. Expansion of existing business by raising productivity of sales representatives
2. Expansion of net sales by maximizing intra-Group synergies
3. Provision of new products and services that meet customer needs

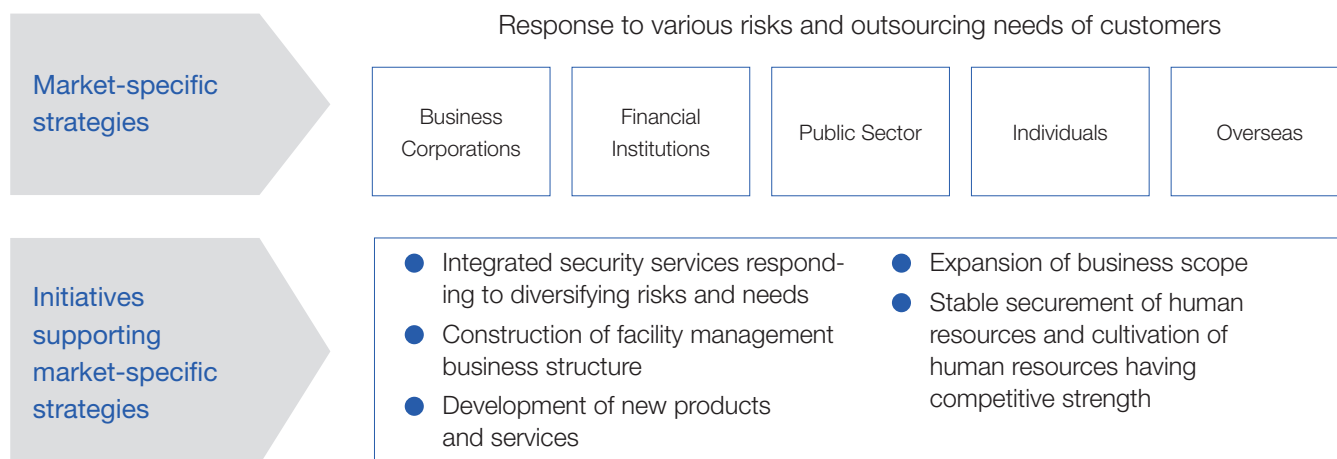
#### Build high-profit constitution

1. Improvement of per person labor productivity
2. Utilization of human resources
3. Groupwide cost reductions, including managerial side

## Grand Design 2017

### Strategies of Grand Design 2017

To the next 50 years ~Developing through cooperation within the ALSOK Group~



## Grand Design 2017

### Financial Goals

	FY2015
Net Sales	¥365.7 billion
Ordinary Income	¥24.7 billion
Ordinary Income Margin	6.8%
ROE	7.8%



	FY2018 Targets
Net Sales	Approx. ¥500 billion
Ordinary Income	Approx. ¥40 billion
Ordinary Income Margin	Approx. 8.0%
ROE	Approx. 10.0%

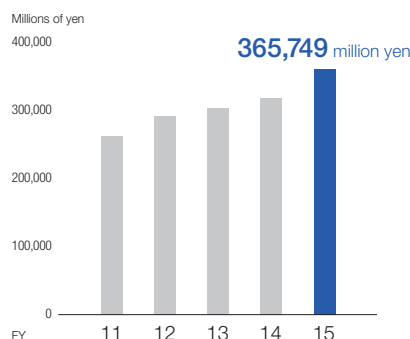
# Financial and Non-Financial Highlights

As March 31, 2015

## Net Sales

¥ **365.7** billion

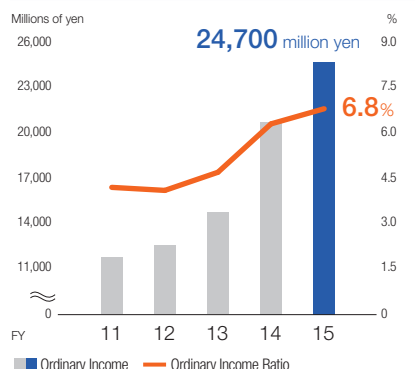
Up **11.4** % YOY



## Ordinary Income / Ordinary Income Ratio

Ordinary income ¥ **24.7** billion

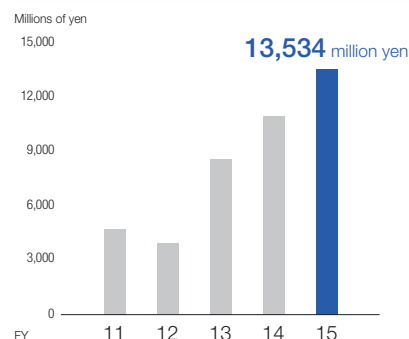
Up **19.1** % YOY



## Net Income

¥ **13.5** billion

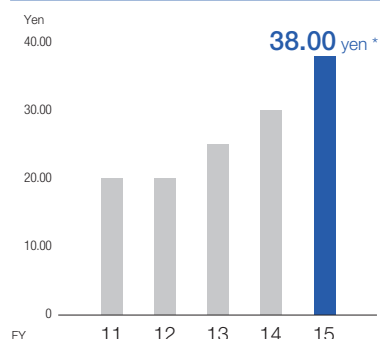
Up **23.5** % YOY



## Dividends per Share

¥ **38.00**

Up **26.6** % YOY

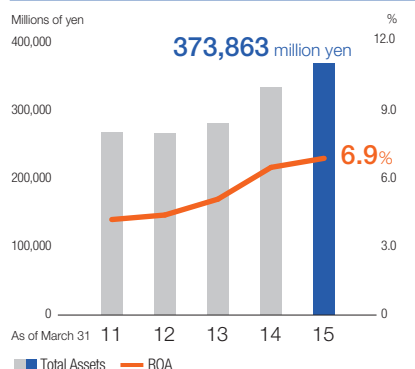


\* Including a ¥3.00 per share special dividend commemorating the Company's 50th anniversary

## Total Assets / ROA

ROA **6.9** %

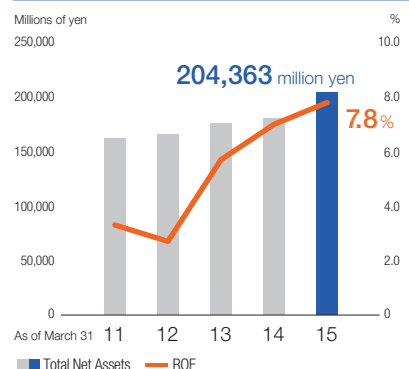
Up **0.4** percentage point YOY



## Total Net Assets / ROE

ROE **7.8** %

Up **0.8** percentage point YOY



	Millions of yen		
Fiscal year	2013	2014	2015
<b>Fiscal year</b>			
Net sales	315,564	328,209	365,749
Ordinary income	14,741	20,745	24,700
Net income	8,574	10,955	13,534
Capital expenditures	13,249	19,617	13,627
Depreciation and amortization	12,213	9,198	11,331
<b>At the end of fiscal year</b>			
Total assets	296,665	342,495	373,863
Total net assets	175,563	180,205	204,363

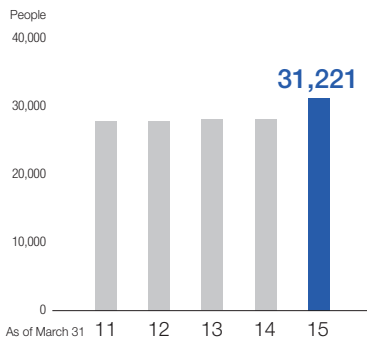
	2013	2014	2015
<b>Per share (yen)</b>			
Net income	85.30	108.99	134.65
Net assets	1,536.30	1,574.74	1,800.15
Dividends	25.00	30.00	38.00
<b>Ratios (%)</b>			
Ordinary income margin	4.7	6.3	6.8
Return on assets (ROA)	5.1	6.5	6.9
Return on equity (ROE)	5.7	7.0	7.8



Number of Employees

31,221

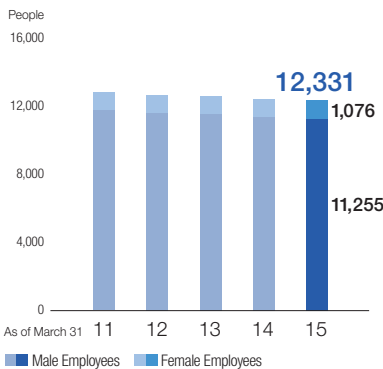
Up 11.1 % YOY



Number of Employees by Gender (Non-Consolidated)

Number of female employees 1,076

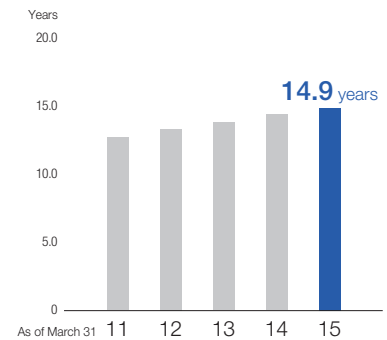
Up 2.3 % YOY



Average Number of Years of Continuous Service (Non-Consolidated)

14.9 years

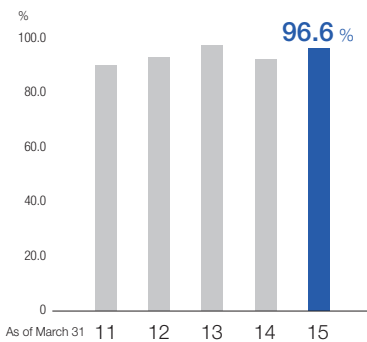
Up 0.5 % YOY



Percentage of Employees Returning to Work after Childcare Leave (Non-Consolidated, Total for Male and Female Employees)

96.6 %

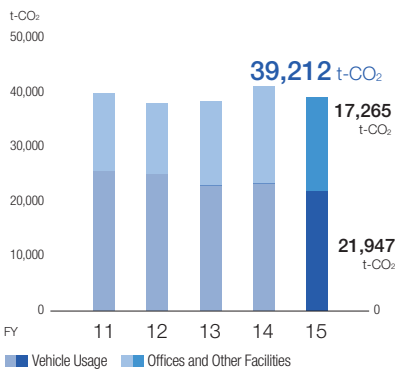
Up 4.2 percentage points YOY



CO<sub>2</sub> Emissions Volume (Non-Consolidated)

39,212 t-CO<sub>2</sub>

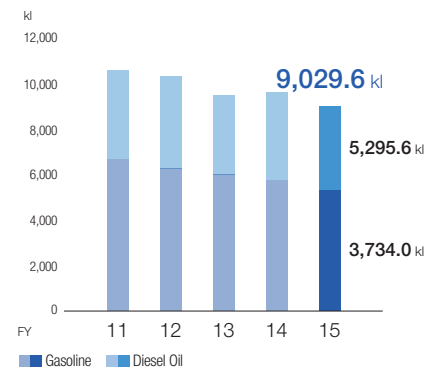
Down 5.2 % YOY



Fuel Usage by Vehicles (Non-Consolidated)

9,029.6 kl

Down 6.2 % YOY



About ALSOK

Percentage of Administrative Positions Filled by Women (Non-Consolidated) (As of March 31, 2015)

3.2 %



Expenditures for Social Contribution Activities (Non-Consolidated) (Fiscal year ended March 31, 2015)

¥388.9 million



Number of ALSOK ANSHIN KYOSHITSU Classes Held (Fiscal year ended March 31, 2015)

3,080



Number of Individuals Completing First-Aid Training (As of March 31, 2015)

Total of 15,684



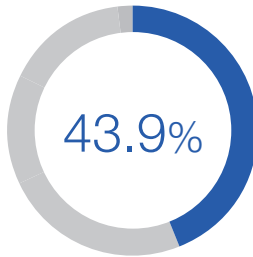
# Review of Operations

## Security Services

Net Sales by Service Type (FY2015)

Net Sales (FY2015)

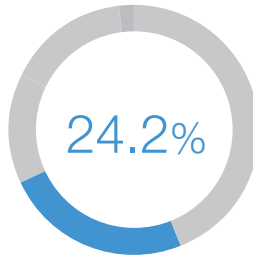
Electronic Security Services

¥160.4 billion

ALSOK's Electronic Security Services segment provides services in which sensors are used to notify Guard Centers of disturbances so that security guards can be dispatched to the scene. We offer a wide range of services for both individual users and corporate customers.

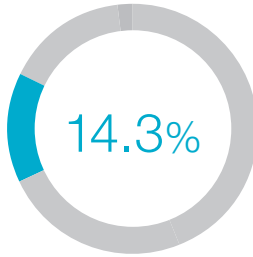
Stationed Security Services

¥88.4 billion

ALSOK's Stationed Security Services segment stations security guards at office buildings and various other customer facilities. These security guards administer access control by monitoring or checking the identity of each person who enters or exits designated customer facilities. In addition, they also conduct patrols to detect irregularities. Further, we conduct monitoring activities at disaster prevention centers and central management centers. We also offer security for events and other crucial security services.


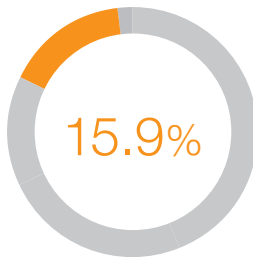
Transportation Security Services

¥52.3 billion

ALSOK's Transportation Security Services segment includes its mainstay Total ATM Management System for use by banks and convenience stores, its Cash Deposit Machine On-line System, in which we manage the daily sales revenues of business owners, and the Cash Transport System service offered to financial institutions.

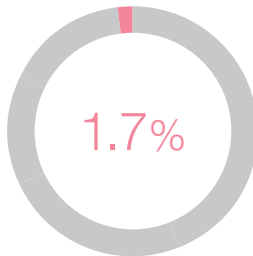
## General Property Management and Fire Protection Services

¥58.3 billion

ALSOK offers facility management services spanning from security to facility installation on a one-stop basis through Japan Facilio Co., Ltd.; Nippon Building Maintenance Co., Ltd.; ALSOK Souei Co., Ltd.; HOCHIKI CORPORATION; and ALSOK Building Services Co., Ltd. (previously Sokei Building Service Co., Ltd.).

## Long-Term Care Services / Other Services

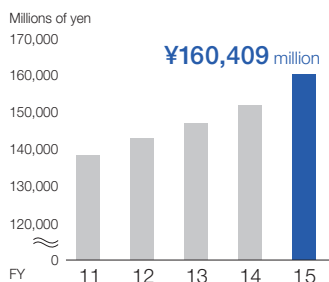



¥6.2 billion

ALSOK provides various long-term care services through HCM Corporation and ALSOK Care & Support Co., Ltd. We also offer such services as information security services, which protect against cyber-attacks and information leakage, and ALSOK DENPO, a telegraph service.

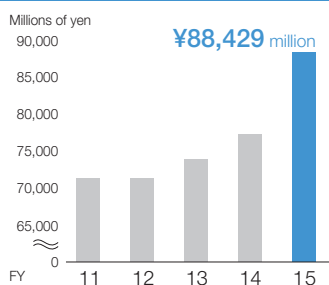
## Results in the Fiscal Year Ended March 31, 2015

## Future Initiatives



Contracts for corporate clients showed firm growth, up 32.7% year on year. In addition, sales of access management systems and security camera systems increased following higher demand for crime prevention measures in food product factories and other facilities. In services for individual users, we witnessed a favorable increase in sales for HOME ALSOK APARTMENT AND CONDOMINIUM PLAN, a service that equips rental housing units with crime and disaster prevention and monitoring precautions, as well as for HOME ALSOK MIMAMORI SUPPORT, an emergency report and consultation service for senior citizens. The conversion of ALSOK Care & Support Co., Ltd., to a consolidated subsidiary also contributed to higher contract numbers.

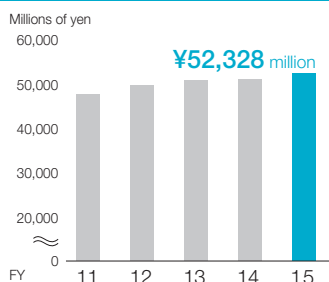
We will continue actively developing new products and services while pursuing alliances with housing developers and strengthening sales proposals, such as security camera system proposals for manufacturers, to respond to customer needs. Through the implementation of this strategy, we are targeting further net increases in electronic security services contracts. In the fiscal year ending March 31, 2016, contracts for corporate clients are expected to rise 5.4%, to 25,000 contracts, and contracts for individual users are forecast to grow 10.3%, to 35,000 contracts.



Our stationed security services business is one of the largest in the industry. In the fiscal year ended March 31, 2015, we received stationed security contracts for large-scale facilities, such as buildings that have undergone redevelopment in Tokyo, as well as contracts for temporary security operations from public institutions. The numerous contracts acquired resulted in substantial net sales growth.

We will continue to provide high-quality stationed security services as we work to expand orders from large-scale facilities.

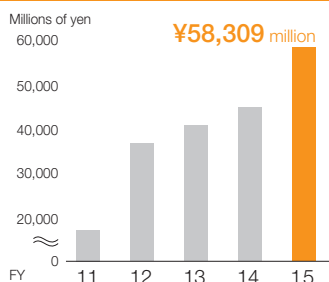
Going forward, demand for security is expected to increase due to a rise in the number of road infrastructure and building development projects in preparation for the 2020 Summer Olympic and Paralympic Games\* in Tokyo. By catering to this demand, we aim to expand sales.



The number of contracts for our Total ATM Management System showed a strong net increase of approximately 3,000, with orders growing for ATMs installed at major banks and convenience stores. Meanwhile, the number of cash deposit machines operated under our Cash Deposit Machine On-line System saw a net increase of approximately 1,850. We were successful in responding to higher demand for the outsourcing of sales revenues management, capturing new contracts primarily from restaurants and automotive dealers.

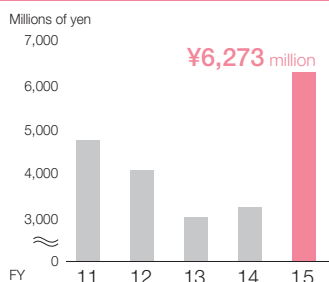
We will target increased sales of our Total ATM Management System by responding to growing outsourcing needs among financial institutions.

For corporate clients, ALSOK has launched its new Cash Deposit and Dispenser Machine On-line System, which utilizes cash deposit and dispenser machines boasting new features like change dispensing and money changing functions. This new system is currently available to certain segments of the corporate sector, and we aim to capture additional sales revenue management demand by using this system.



In the year under review, the benefits of the consolidation of ALSOK Souei Co., Ltd., and Nippon Building Maintenance Co., Ltd., into the Group appeared in the form of sales increases. The consolidation of these two companies marked the completion of our systems for providing facility management services. At the same time, sales of automated external defibrillators (AEDs) were impressive, and the total number of AEDs sold to date rose to nearly 100,000.

The Company will pursue higher sales through the provision of facility management services that offer one-stop solutions for customers' various needs for the maintenance, management, and operation of buildings, condominiums, and other facilities.



In the year under review, HCM Corporation and ALSOK Care & Support Co., Ltd., were consolidated into the Group, resulting in a massive increase in net sales.

The ALSOK Group will fully leverage its management resources to provide standard long-term care services while developing new services that link security with long-term care.

\* The Company has been selected as a Tokyo 2020 Official Partner in the category of "Security Services and Planning" for the 2020 Summer Olympic and Paralympic Games.

# New ALSOK Charter and Four Material CSR Themes for Sustainable Growth

The ALSOK Charter, which comprises the Company's management philosophy, management policies, and code of conduct, was established in 2000 to commemorate the 35th anniversary of the Company's founding and to compile the spirit of our founder into a single document. The charter sets forth a road map for the Company that is also meant to guide the activities of all employees, and it forms the foundation for our corporate essence. We aim to pass this charter and the spirit it embodies on to the employees of the future. However, it cannot be denied that circumstances are very different from when the charter was formulated 15 years ago. In addition to the substantial shifts in social and economic trends, the Company was listed on the stock exchange in 2002. Later, it began developing operations overseas while expanding the Group through mergers and acquisitions. We therefore chose to implement a partial revision to the charter in recognition of ALSOK's 50th anniversary in 2015, aiming to make it more suited to the ALSOK Group of today, which has grown to include 74 companies and approximately 31,000 employees.

## ALSOK Charter

### Management Philosophy

Based on two core principles exemplified by "*arigato no kokoro*" (a feeling of gratefulness and gratitude) and "*bushi no seishin*" (a samurai spirit), we devote ourselves to protecting the safety and security of our customers and of society as a whole.

### Management Policies

#### 1. Fundamental Spirit

Under any condition that we face, we work hard to live by a fundamental spirit that reflects our management philosophy—as exemplified by a feeling of gratefulness and gratitude and a samurai spirit based on toughness, fairness, and generosity—to be a highly principled company.

#### 2. Priority

Our top priority is to provide products and services of the first rank, while cultivating the highest levels of motivation in our employees and living up to shareholder expectations through attractive profit growth.

#### 3. Basic Strategy

While security services remain at the heart of our business, as our basic strategy, we also seek to offer a diverse range of products and services in new fields to satisfy the needs of the ever-changing times.

#### 4. Contributing to Society

Allying ourselves with public bodies charged with protecting public safety and security, we commit ourselves to developing value-adding products and services, thereby always contributing to society.

### Code of Conduct

1. We will devote ourselves to serving our customers and society as a whole in a way that reflects a feeling of gratefulness and gratitude.
2. We will embody a samurai spirit in everything we do based on toughness, fairness, and generosity, standing firm in the face of adversity and banding together to embrace success.
3. We will value autonomy in our actions, empowered by "*yacho seishin*" (the spirit of a wild bird)—which represents independence, self-respect, perseverance, acuity, and tenacity—and take responsibility for delivering results.
4. We will carry out our day-to-day activities based on the principles of sincerity, accuracy, strength, and speed.
5. We will know no complacency, always marching forward purposefully while growing and refining our business to continue to provide value to customers and to society as a whole, thereby continuing to be relevant.
6. We will devote ourselves to serving our customers and society as a whole in a way that reflects a feeling of gratefulness and gratitude.

*"Arigato no kokoro"* (a feeling of gratefulness and gratitude): This refers to the way people in Japanese society agree to live their lives while being respectful toward the lives of others; it represents a humble feeling of gratefulness and gratitude toward the people and everything else that enriches our daily lives.

*"Bushi no seishin"* (a samurai spirit): This embodies a strong and honorable yet kind mentality of a samurai from a bygone era characterized by discipline, purpose, and the will to succeed and grow.

*"Yacho seishin"* (the spirit of a wild bird): This refers to a drive to persevere and survive against all odds while always remaining aware of the possible threats surrounding oneself, just as a wild bird must be constantly alert itself of the risk from predators and other dangers in its daily fight for survival.



The ALSOK Group advances CSR activities in accordance with its management philosophy to respond to changing social needs and help resolve the issues society faces. In the fiscal year ended March 31, 2014, we defined four material CSR themes with aim of fulfilling our social responsibilities and sharing our social value with shareholders and other stakeholders. These themes are: ① providing products and services that help resolve social issues; ② cultivating human resources and building a comfortable workplace environment; ③ contributing to local communities through active communication; and ④ providing trustworthy security services. Our policies based on these material themes have been reshaped to reflect the Company's revised management philosophy, and we are stepping up initiatives in each of these areas.

Material CSR Theme ①  
Consumer

## Providing Products and Services that Help Resolve Social Issues

ALSOK is providing a multifaceted lineup of products and services that help resolve the issues faced by customers and society. This task is accomplished by leveraging its security services expertise based on an accurate understanding of ever-changing social trends, such as aging populations, declining birth-rates, and tendency toward nuclear families.

Material CSR Theme ②  
Labor Practice

## Cultivating Human Resources and Building a Comfortable Workplace Environment

The Company strives to help employees realize their full potential. To this end, it is enhancing training systems, actively supporting career development, promoting diversity, and otherwise building a comfortable workplace environment and cultivating the human resources that underpin its corporate activities.

Material CSR Theme ③  
Community

## Contributing to Local Communities through Active Communication

To give form to the *arigato no kokoro* (a feeling of gratefulness and gratitude), part of ALSOK's fundamental spirit, the Company acts as a good corporate citizen, diligently working to contribute to the resolution of the various issues faced by the communities it serves.

Material CSR Theme ④  
Operating Practice

## Providing Trustworthy Security Services

ALSOK is expected to maintain high levels of social trust while acting in a highly ethical and disciplined manner. We therefore position compliance and business continuity as management issues of extreme importance, and we are advancing various initiatives in relation to these matters.

ALSOK is providing a multifaceted lineup of products and services that help resolve the issues faced by customers and society. This task is accomplished by leveraging its security services expertise based on an accurate understanding of ever-changing social trends, such as aging populations, declining birthrates, and the tendency toward nuclear families.



### Data on Social Issues

### Data on the ALSOK Group's Business

Number of Crimes Reported in Accordance with the Penal Code

(January – December 2014) Source: National Police Agency

1,212,163

Number of Electronic Security Services Contracts

(As of March 31, 2015)

803,601

Percentage of Population Aged 65 and Over

(As of March 31, 2015) Source: Statistics Bureau, Ministry of Internal Affairs and Communications

26.3 %

Increase in the Number of Long-Term Care Service Bases during the Fiscal Year Ended March 31, 2015

118

The Company has been working to develop its long-term care services. The new acquisition of two long-term care service companies during the year under review resulted in a large increase in the number of long-term care service bases.

Number of People Undergoing Emergency Medical Transportation

(January – December 2014) Source: Fire and Disaster Management Agency, Ministry of Internal Affairs and Communications

5,399,618

Aggregate AED Sales

(As of March 31, 2015)

99,782 units

Number of Inbound Travelers to Japan

(January – December 2014) Source: Japan National Tourism Organization

13,413,467

Number of ATMs Managed through the Total ATM Management System

(As of March 31, 2015)

Approx. 52,000

There are approximately 190,000 ATMs in operation across Japan. Many of the ATMs ALSOK is contracted to manage can be used with foreign bank cards, thereby contributing to increased convenience for inbound travelers to Japan.

**ALSOK's Dispatch System**

Number of Incoming Calls to Guard Centers from Customers across Japan

Approx. **4.48 million**  
(Fiscal year ended March 31, 2015)

The ALSOK Group is protecting the lives and assets of approximately 460,000 corporate clients and 340,000 individual users while managing about 52,000 ATMs across Japan. In these ways, we are supporting an important part of the social infrastructure underpinning people's everyday lives as well as the development of the domestic economy.

As we pursue technological innovation in our security services, our roughly 31,000 employees are avidly working to maintain an up-to-date understanding of changes in social issues and customer needs in order to provide safety and security that go beyond the boundaries of traditional security services.

**Protection for the Safety and Security of 110,000 Customers across Three Regions**

The command center of the Tokyo Guard Center responds to approximately 1,200 alarms and 3,400 calls each day from the about 110,000 customers it serves in Tokyo and in Kanagawa and Saitama prefectures. The guard center's team of roughly 100 employees takes shifts protecting the safety and security of customers every hour of every day.

ALSOK employs a dispatch system, which, should an alarm be detected, automatically notifies security guards in the field via mobile terminals equipped with GPS functionality so that they can be dispatched to the scene of the incident. Information on customers, including that on illnesses as well as medicine or hospitals being used regularly, is registered in this system. Security guards are thus able to utilize this information to perform lifesaving activities that go beyond security services. For example, in the case of an emergency, they can inform emergency contacts, call emergency services, or take other actions based on the instructions and support of the Guard Center.

We, as members of Guard Center team, also function as a lifeline for the security guards in the field. By utilizing information from mobile terminals, we are able to constantly monitor the status of security guards to help them avoid injuries or accidents. In this manner, we coordinate closely with frontline security guards to ensure customers can live each day with safety and security.



**Hironori Nakamura** (left)  
Commander, Team I, Tokyo Guard Center  
ALSOK Tokyo GC Administration Office,  
Security Operations Department (II)



**Masahiko Amano**  
Commander, Shinjuku Electronic Security Services Team,  
Security Services Section (II)  
Security Services Department, ALSOK Josai Branch

**Trusting Relationships that Go Beyond Security Services**

The Shinjuku Electronic Security Services Team consists of 15 members, who provide round-the-clock protection in the entertainment district and other sections of Shinjuku Ward in Tokyo. Should an alarm be detected or a call be received from a customer, the security guards rush from their depots to the scene of the incident, swiftly moving through the narrow streets by foot, bicycle, or motorcycle.

In the more dangerous, late-night hours, the Guard Center team takes over for on-site security guards with regard to determining the risks associated with the disturbance site. The team also provides support by calling for backup or immediately contacting emergency services as necessary. Furthermore, on-site security guards communicate with one another to coordinate and ensure safe and appropriate responses to any situation that may arise.

Recently, I feel that we as security guards are expected to provide a range of services that goes beyond the scope of traditional security services. For example, we are increasingly receiving calls from senior citizens, and there have been times when I have found the customer unconscious upon arriving at the scene. In these cases, I perform CPR (cardiopulmonary resuscitation) or other first-aid procedures before handing the situation over to the paramedics. The number of customers that rely heavily on ALSOK, calling us for any disturbance, is on the rise. This increase would not have occurred if not for the trust customers place in us, a fact that really drives home the importance of the role we play in society.

## Products and Services that Cater to Diversifying Lifestyles

ALSOK is guided by its mission of providing solutions to issues faced by each of its customers. However, the ideal service is different for each customer. For this reason, we are striving to develop the **HOME ALSOK** brand for individual users into a lineup that can cater precisely to customers' diversifying lifestyles.

ALSOK is combining its expertise in a variety of areas in order to provide a diverse lineup of products and services in response to customer needs that can vary depending on region, age, health condition, or family structure. One example would be **HOME ALSOK ALBO eye**, a service that enables customers to confirm the status of their home when away and receive reports on any disturbances via email and other means. We also provide **HOME ALSOK LADY'S SUPPORT**, a service for protecting women from stalking and other threats. Another offering is **MAMOLOOK**, a multifunctional mobile security terminal. This terminal allows for emergency reports to be made with the push of a button and enables the user's position to be confirmed via GPS. Furthermore, internal sensors can detect and send automatic notifications when a user falls or when an abnormality is detected in the life patterns of a user.

In addition, ALSOK offers **HOME ALSOK RUSUTAKU SERVICE** to protect vacation houses, second houses, and other homes that are not regularly occupied. Through this service, employees confirm the status of unoccupied houses, air them out, test plumbing functionality, and perform other services designed to contribute to the resolution of issues associated with vacant homes in Japan.



ALSOK employee performing HOME ALSOK RUSUTAKU SERVICE

## Robust Lineup of New Products and Services for the Aging Society

The aging of Japanese society is expected to advance rapidly, and ALSOK is developing a robust lineup of products and services to address the issues that will be faced by this aging society. **HOME ALSOK MIMAMORI SUPPORT**, for example, is a service that entails installing control terminals in users' homes. If the user simply pushes the emergency call button located on this terminal, our security guards will rush to the scene 24 hours a day, 365 days a year, and, upon assessing the situation, take the appropriate course of action. Family members will be contacted and the security guards will call paramedics or perform CPR if necessary. In addition, the control terminal has a consultation button. Should users feel ill, they can press the consultation button to access ALSOK's healthcare center at any time during the day or night. Users are able to consult our trained staff about their health condition, receive information about medical institutions or nursing care facilities, or ask other questions.

In long-term care service operations, **HCM Corporation** and **ALSOK Care & Support Co., Ltd.**, were converted to consolidated subsidiaries during the year under review. We are currently enhancing these operations, which are experiencing rapid demand growth. (See "Initiatives at Group Companies" below.)



HOME ALSOK MIMAMORI SUPPORT control terminal

### Initiatives at Group Companies

### Expansion of Long-Term Care Service Operations to Serve the Aging Society

ALSOK has positioned strengthening and expanding its long-term care service operations as a top priority. Initiatives in this respect include the acquisitions of HCM and ALSOK Care & Support in 2014. HCM provides in-home and in-facility long-term care services primarily in Tokyo, Nagoya, and Osaka under the brand name AMICA, which is an amalgam of the Japanese words *akaruku* (cheerful), *mijikana* (close by), and *kaigo* (care). From HCM's more than 70 in-home care service bases, helpers are dispatched to visit customer homes and provide physical care services, including helping customers eat, bathe, or deal with excrements, or living support services, such as preparing meals and performing other household chores. This company also operates fee-based, long-term care facilities, predominately in the Tokyo metropolitan area.

The operations of ALSOK Care & Support include its ANSHIN Care Center Business and its KATAKURI brand of care-related services. In the ANSHIN Care Center Business, this company leverages the strength of its call center staffed by employees with professional qualifications, such as physicians, nurses, or care managers, to provide emergency response, health consultation, and other health support services. Under the KATAKURI brand, ALSOK Care & Support provides in-home care services, operates day services and group homes, and rents welfare items, mainly in the Tokyo metropolitan area. In these ways, this company is offering community-rooted, long-term care services that are both sincere and considerate. The incorporation of these two companies into the Group has established an important foundation for advancing its strategies for the HOME ALSOK brand. By coordinating and merging the operations of these companies with our existing businesses, we aim to provide higher levels of value and develop ALSOK into a trusted partner to society in the field of long-term care services.



AMICAVILLA INAGE (HCM)



ALSOK Care & Support employee providing in-home care service



## Products and Services for Preparing for Natural Disasters and Addressing Aged Infrastructure

ALSOK offers its **Underpass Monitoring Service** to prevent flooding-related accidents at underpasses, where it is common for rainwater to accumulate. In recent years, there has been a rise in the number of accidents in which cars have become partially submerged in water when entering underpasses that were flooded due to difficult-to-predict flash rainstorms or other causes. Municipal governments are working to address this issue by monitoring underpasses through sensors and cameras, but it can be difficult for related government organizations to provide a swift response at night or on public holidays, and initial response efforts are often delayed as a result. ALSOK's Underpass Monitoring Service utilizes meteorological information to predict rainstorms. Should dangerous water levels be detected, ALSOK will quickly assess the situation and make the necessary emergency reports. If requested, road barriers can be lowered remotely to prevent flooding-related accidents.

Another service of this nature is ALSOK's **Road Tunnel Emergency Reporting and Monitoring Service**. Accidents and fires inside tunnels and incidents associated with aging social infrastructure, such as those installed during the period of the Japanese postwar economic miracle, have the potential to develop into serious calamities. For this reason, effective initial responses are of the utmost importance. However, it is not uncommon for responses to be delayed due to a lack of budget or labor. Created through collaboration with municipal governments, our Road Tunnel Emergency Reporting and Monitoring Service is the evolved form of a service that was previously available only in certain regions. This service offers efficient management of tunnel safety and swift response in times of emergency, thereby reducing the need for government employees to watch tunnels at night or on public holidays and subsequently lowering management costs while helping municipal governments maintain and manage social infrastructure.

Furthermore, ALSOK provides various other services in response to social needs related to the



Road barrier deployed via our Underpass Monitoring Service

operation and management of buildings, facilities, and other properties, including its **Facilities Management Services**, which offer comprehensive support for hygiene management, security, and countless other management tasks.

(See "Initiatives at Group Companies" below.)

## Crime Prevention Products and Services

Accompanying technological advancement and changing global economic trends, crimes are becoming more diverse and intricate. Accordingly, a wider range of countermeasures is now necessary for preventing crimes targeting individuals, companies, and other entities. ALSOK remains ever committed to contributing to society by providing products and services to address the risks of falling victim to diversifying crimes.

Drones have become increasingly common in recent years. In response to this trend, ALSOK has been developing countermeasures to minimize the damages should drones be used with malicious intent, which represents a new class of threats ranging from voyeuristic photography and harassment to terrorism and other antisocial activity. For example, we offer **ALSOK Zone Security Management**, an advanced security service that fuses security guards with ICT. Employing a combination of sound, image, and other sensors chosen based on the characteristics of the zone to be protected, this service quickly detects when a drone infiltrates the zone, identifies it, determines the risk it presents, and then alerts the appropriate authorities. At the same time, **ALSOK Hyper Security Guards** equipped with IT equipment respond as appropriate based on risks presented by a drone to prevent damages from spreading and, therefore, provide safety and security to both vacant and crowded spaces.

We also offer a wide range of other crime prevention services, including **ALSOK Information Security Solutions**, a comprehensive security service utilizing security cards that can be used for employee IDs, access management systems, computer security measures, and crime prevention.



Sound sensor as part of drone countermeasures

### Initiatives at Group Companies

### Comprehensive Management and Operation Services for Various Fields

ALSOK BUILDING SERVICES CO., LTD. (previously Sokei Building Service Co., Ltd.), was the first subsidiary to be established by the Company and has been providing general property management services over the course of many years. This company offers services ranging from everyday management support to security, renovation, and comprehensive facility management services that help improve the value of customer buildings, facilities, and other properties. By providing total support for the operation and management of customer properties, ALSOK BUILDING SERVICES enables customers to focus on the core aspects of their business. When serving large-scale facilities, managers possessing a breadth of insight and experience are appointed to handle such tasks as outsourcing a wide range of duties from a comprehensive management perspective. These managers coordinate with customers and individuals responsible for different areas of operation as well as perform various tasks and provide guidance and supervision to ensure smooth management and operation of customer properties.



ALSOK BUILDING SERVICES employees explaining progress of large-scale renovation project

The Company strives to help employees realize their full potential. To this end, it is enhancing training systems, actively supporting career development, promoting diversity, and otherwise building a comfortable workplace environment and cultivating the human resources who underpin its corporate activities.



### Data on ALSOK's Human Resources

#### Number of Employees

(Consolidated, as of March 31, 2015)

31,221

Security Services	25,784
General Property Management and Fire Protection Services	1,670
Long-Term Care Services / Other Services	774
Corporate (shared)	2,993

#### Percentage of Administrative Positions Filled by Women

(Non-consolidated, as of March 31, 2015)

3.2 %

The medium-term management plan has set forth the goal of having 5% of administrative positions filled by women, and initiatives are being advanced to this end.

#### Number of Female ALSOK Group Employees

(Number of effective employees including part-time workers, as of March 31, 2015)

6,733

Security Services	3,778
General Property Management and Fire Protection Services	1,109
Long-Term Care Services / Other Services	1,846

#### Number of Female ALSOK Group Employees with Children

(Number of effective employees including part-time workers, as of March 31, 2015)

1,958

### Data on Initiatives for Promoting the Utilization of Human Resources

#### Number of Employee Satisfaction Meetings Held

(Non-consolidated, fiscal year ended March 31, 2015)

125

Employee Satisfaction Meetings provide opportunities for frank exchanges of opinions between executives and other employees.

#### Number of Employees Undergoing Training at Tokyo and Osaka Training Centers

(Fiscal year ended March 31, 2015)

5,422

#### Percentage of Employees Returning to Work after Childcare Leave

(Non-consolidated total for male and female employees, as of March 31, 2015)

96.6 %

#### Number of Good Service Thanks Cards Distributed

(Non-consolidated, fiscal year ended March 31, 2015)

46,278

The Good Service Thanks Card system was designed to reward employees that have realized the high level of services the Company targets. This system contributes to the creation of a workplace environment that always emphasizes employee satisfaction.

**Training for Human Resources Supporting ALSOK**

Number of training programs conducted at training centers

Approx. **70**

(Fiscal year ended March 31, 2015)

At ALSOK, we view employees as the most important resource underpinning our business activities. Reflecting this basic approach, we develop human resources who will help us realize our management philosophy, which calls on us to “devote our best efforts to protecting the safety and security of our customers and of society as a whole.” In addition to legal education pursuant to the Security Services Act, we conduct a wide variety of employee training programs to enhance our security services and foster employees with appropriate business skills. For example, from the new employee level onward, we conduct training by division, including sales, electronic security services, stationed security services, transportation security services, and R&D. Also, we conduct training for specific employee ranks and for managers.

**Various Training Programs for Improving Service Quality**

The security services business entails protecting the lives and properties of customers, and it is therefore absolutely essential that we perform our duties in a disciplined manner to earn the trust of customers. Accordingly, ALSOK positions human resource development among its top priorities and is conducting various training programs, including training for new employees as well as rank-based training for veteran employees.

Over the past decade, we have sought to get back to basics, instituting training programs that emphasize thinking patterns and actions based on ALSOK’s management philosophy. Upon entering the Company, new employees undergo training aimed at making them realize the gravity of their position as contributing members of society and endowing them with the sense of responsibility required in the security services business. Watching these fledgling employees proceed onto more specialized training as they mature and continue to develop is what motivates me in my work. Later, veteran employees can take part in rank-based training, where they once again learn about corporate ethics, giving them an opportunity to practice introspection and become more complete human beings. The ALSOK Group also trains mid-career hires, some of whom are more than 60 years old. I often hear such employees express that the way they viewed life changed after they had completed their training.

I will continue to devote my efforts to human resource development into the future, striving to help improve the quality of the services ALSOK provides.



**Takumi Mizota**  
Assistant Manager, Tokyo Training Center,  
Education & Training Department



**Himeno Yonei**  
HOME ALSOK Group (II)  
ALSOK Shibuya Branch

**Personal Growth through Rigorous Employee Training**

When I was in university, I sat in on an explanation of ALSOK at a job fair. While I had originally believed that security services companies were largely male dominated, this preconception disappeared after hearing the explanation, and I became captivated with ALSOK’s extensive employee training programs, which inspired me to join the Company.

I still remember the new employee training I participated in upon joining ALSOK, specifically how we were rigorously trained on the fundamentals necessary for security guards and how I learned the just-minded nature this position required.

After completing new employee training, I moved on to sales training. During this training, I was designated as the head student, becoming the representative for the other trainees, a position that sometimes weighed heavily on my shoulders. Looking back on the experience, however, I realize that this position strengthened my sense of autonomy. Thanks to that and the strict yet passionate guidance of the experienced employee instructors, I can confidently explain the appeal of ALSOK’s extensive training programs in my own words, even during daily sales activities.

I plan to participate in even-more specialized training in the future, and I will take advantage of the expertise gained through such trainings to further my personal development and move forward on my chosen career path at ALSOK.

## Characteristics of ALSOK's Human Resource Development Systems

### Basic Approach to Human Resource Development

At ALSOK, we view employees as the most important resource underpinning our business activities. Reflecting this basic approach, we develop human resources who will help us realize our management philosophy, which calls on us to “devote our best efforts to protecting the safety and security of our customers and of society as a whole.”

In all of our training programs, we further understanding of the fundamental spirit that we have adhered to since our foundation, which is described in our management philosophy, management policies, and code of conduct. At the same time, we have established a training system to ensure that we put this spirit into practice in all aspects of our business operations.

Furthermore, training for new employees at Group companies is conducted by the Sohgo Security Alliance Education and Training Union, which has an office in ALSOK's Head Office.

Since a television program featured the training we conduct for new employees, we have received numerous requests from schools and companies to conduct training on their behalf. Catering to this demand, we have been training non-ALSOK employees at ALSOK JUKU (ALSOK Workshops) since September 2011 to improve their basic skills as members of society.

### Employee Skill Improvement Program

The Company provides various opportunities for employees to develop their skills outside of group training and on-the-job training. At the same time, we support individuals looking to pursue further education on their own accord, and we have implemented the Employee Skill Improvement Program to help facilitate the enhancement of employee skills.

Specific measures conducted through this program include providing support for holding self-development classes, helping develop an environment conducive to reading, coaching education representatives at branches, and bolstering the amount of educational materials and digital content made available for employees.

We believe that reading is an important means for employees pursuing self-development. Based on this belief, we opened the ALSOK LIBRARY, a Company library that is divided between two locations: the ninth floor of ALSOK's Head Office Building and the Sokei Riverside Building in Koto Ward in Tokyo. On March 31, 2015, the total number of documents contained within this library exceeded 3,300. Employees can request that documents be sent to them via the internal mail system through a check-out option available through the Company intranet, a measure that provides even employees stationed in offices in remote locations with access to this library.



ALSOK LIBRARY at ALSOK's Head Office

### Self-Development Classes

ALSOK encourages employees to hold self-development classes to facilitate their attempts to further improve their skills and develop higher levels of knowledge. These efforts include classes conducted by executive officers and other employees that serve as in-house lecturers on subjects like marketing, accounting, and other areas directly related to business as well as a wide range of other courses, such as those on foreign languages and modern history. In the year under review, 15 classes on these and other subjects were held.

### Career Development Programs

#### Human Resource Development through Personnel Exchanges and the Internal Open Application System

ALSOK aims to utilize capable employees, from young employees to managers, in a wider range of situations in order to develop personnel who can drive profit growth for the entire Group. We believe such efforts will strengthen Group management. To facilitate this type of human resource development, we actively conduct personnel exchanges between Group companies as well as with other companies and central government agencies (the Public-Private Personnel Exchange System). In addition, ALSOK has instituted an internal open application system. Through this system, we discover and develop human resources capable of working in and forming the core of organizations in a wide range of the Company's business areas—from strategic businesses related to new businesses, overseas businesses, and mergers and acquisitions through to sales and frontline operations. As of March 31, 2015, a total of 209 employees had taken advantage of this internal open application system. Going forward, we will continue to support the career development of employees to facilitate the growth of human resources throughout the entire Group.

#### Qualification Acquisition

In conducting security services operations, specialized qualifications are required for each area of business. For this reason, we strive to increase the percentage of employees that have obtained publicly recognized qualifications. Under the ALSOK Standards, we have established targets for the acquisition of publicly recognized qualifications, and we are providing support to employees in acquiring such qualifications, including compensating them for related expenses, with the aim of meeting these targets.

Furthermore, with the goal of improving the capabilities of our technicians, we have introduced an e-learning program that is available to ALSOK technicians throughout Japan. In addition, we encourage employees to acquire qualifications relating to system installation, fire prevention equipment, electrical work, and information technologies. As of March 31, 2015, a total of 37,541 employees at SOHGO SECURITY SERVICES CO., LTD., had acquired publicly recognized qualifications.



## Creation of a Comfortable Workplace Environment

### Complete Lineup of Support Systems for Female Employees

ALSOK has developed a complete lineup of support systems for its female employees to ensure that these employees can work with peace of mind and realize their full potential. Leave can be taken during pregnancy and after childbirth, and we have reemployment systems for employees who have resigned for childbirth or parenting reasons.

Due to these efforts, the Company has been certified by the Tokyo Labour Bureau of the Ministry of Health, Labour and Welfare as a company having supportive child-raising systems. These strong support systems have helped empower female employees in a wide range of fields, including management as well as sales and technical divisions and even actual security services.

### Mental Health Care

Helping employees maintain sound mental health is vital to security services operations. To promote good mental health, the Company has developed its Mental Health Maintenance Plan in accordance with the guidelines of the Ministry of Health, Labour and Welfare. Also, we respond to employee concerns flexibly through a help desk—the ALSOK Support Line—and we have prepared a manual to help managers deal with employees suffering from poor mental health. In 2012, we expanded the scope of availability of the ALSOK Support Line to Group companies. We are constantly working to further enhance this system.



Kurumin mark signifying companies with supportive child-raising systems

Consultations through the ALSOK Support Line may be conducted face-to-face; via the Internet; over the telephone, with immediate telephone access available; through email; or other means, making this support line a consultation venue that is easy to use for employees and their families.

## Communication with Employees

### Forums for Exchanges with Employees

ALSOK periodically provides opportunities for employees and senior managers to exchange opinions. Also, we hold discussion forums with the president, which serve as prime opportunities for facilitating communication by allowing employees to communicate directly with the president.



Discussion forum with President Aoyama

Moreover, to provide further opportunities for frank exchanges of opinions between executives and other employees, we held 125 Employee Satisfaction Meetings during the year under review.

### Employee Surveys—Gathering Employee Feedback

ALSOK has been annually conducting employee surveys since 1999. These surveys investigate matters that include the penetration of CSR activities and employee awareness of them. In addition, we use the findings of these surveys when formulating new measures, and survey results are relayed to employees through an internal newsletter.

## Major Systems for Creating a Comfortable Workplace Environment

System	Details
Prenatal checkup leave	Special paid leave provided on an application basis based on the stage of pregnancy
Childcare leave	Leave provided over a defined period for employees living with and caring for children under the age of three (legal requirements only mandate leave for employees with children under the age of one)
Shortened working hours for childcare	System of shortened working hours for employees raising children that have yet to complete the third grade of elementary school (legal requirements only mandate shortened working hours provided to employees with children under the age of three)
Long-term care leave	Up to 365 days of leave per applicable family member provided to employees looking after family members requiring long-term care (legal requirements only mandate leave of 93 days per family member)
Support for returning to work after extended work leave for personal injuries and illness	Program for providing leave to employees requiring long-term absence from work due to personal injuries or illnesses that includes trial return and other support for returning to work
ALSOK Support Line	Consultation venue based on the established Mental Health Maintenance Plan for employees and their families that provides various consultation methods
Internal open application system	Trial promotion system for placing employees in overseas, planning, development, new business, or supervisory positions
Rehiring for retirees, including for positions at Group companies	Rehiring system for employees reaching mandatory retirement age with an option for employees to be transferred to Group companies after early retirement
Disaster relief volunteer support	System for authorizing employee participation in volunteer activities after natural disasters

### Initiatives at Group Companies

### In-House Daycare Center Catering to Diverse Needs of Working Women

In July 2015, Kita-Kanto Sohgo Security Services Co., Ltd., opened a daycare center known as Kita-Kanto Sohgo Security Services Daycare Center MAMOROOM on the first floor of its head office building. This directly operated daycare center was created with the aim of responding to the diverse needs of working women arising from the increase in the number of employee households in which both parents work. At MAMOROOM, parents may enroll their children in monthly daycare services or have their children watched on a one-off basis. Children may also be left with the center after normal working hours. Available to anyone, not just employees, this small facility offers the children it looks after a personal and warm atmosphere.

Moreover, MAMOROOM has a cooperative agreement with the adjacent clinic, providing an extra degree of safety and security to this daycare center. Should a child fall ill or suffer an injury, an examination at this clinic is only a door away.



MAMOROOM daycare center operated by Kita-Kanto Sohgo Security Services

To give form to the *arigato no kokoro* part of ALSOK's fundamental spirit, the Company acts as a good corporate citizen, diligently working to contribute to the resolution of the various issues faced by the communities it serves.



## Data on ALSOK's Social Contribution Activities

### Expenditures for Social Contribution Activities

(Non-consolidated, fiscal year ended March 31, 2015)

¥ **388.8** million

### Aggregate Number of ALSOK ANSHIN KYOSHITSU Participants

(As of March 31, 2015)

**1,134,837**

### Aggregate Number of Individuals Completing First-Aid Training

(Consolidated, as of March 31, 2015)

**15,684**

### Aggregate Number of Individuals Certified under ANSHIN KYOSHITSU Master Certification System

(Consolidated, as of March 31, 2015)

**1,310**

For more information on the ANSHIN KYOSHITSU Master Certification System, please refer to page 26.

### Aggregate Number Welfare Vehicles Donated through ALSOK ARIGATO UNDO

(As of March 31, 2015)

**92**

### Percentage of Teachers Giving Positive Evaluations to the ALSOK ANSHIN KYOSHITSU Program

(As of March 31, 2015)

**97.5 %**

### Aggregate Number of Times ALSOK-Supported Athletes Have Participated in the Olympics\*

(As of March 31, 2015)

**24**

Aggregate Number of Medals Won (As of March 31, 2015)	
Gold medals	5
Silver medal	4
Bronze medals	0

### Number of Employees Holding Black Belts in Martial Arts

(Consolidated, as of March 31, 2015)

**3,537**

\* The Company has been selected as a Tokyo 2020 Official Partner in the category of "Security Services and Planning" for the 2020 Summer Olympic and Paralympic Games.

Aggregate Number of  
ALSOK ANSHIN KYOSHITSU  
Classes Held

36,938

(Consolidated, as of March 31, 2015)

As one of its social contribution activities aimed at resolving the issues faced by local communities, the ALSOK Group dispatches employees to elementary schools throughout Japan to conduct the ALSOK ANSHIN KYOSHITSU program, which teaches children crime prevention and first-aid skills. We have been conducting this program for more than a decade. This program has since grown to massive proportions, and, as of March 31, 2015, we have held a total of 36,938 classes for more than 1.1 million students at 8,405 elementary schools. This social contribution activity, advanced by ALSOK's security professionals, has garnered a strong reputation among teachers and guardians alike.

## Participation in Education to Protect the Safety and Security of Communities

When we first began the ALSOK ANSHIN KYOSHITSU program, we lacked the necessary expertise for conducting classes, a fact that was a source of hardship and anxiety for our employee instructors. Nevertheless, we continued to advance this initiative, driven steadily forward by the sense of purpose we felt in protecting children. These efforts paid off in the end as, today, this program has successfully won the support of countless communities. In 2014, we saw new employees enter ALSOK Group companies who had participated in ALSOK ANSHIN KYOSHITSU classes when they were in elementary school. I was filled with joy by this event, which was a testament to the program's long history spanning more than 10 years.

To support this program, the ALSOK Group has established a unique certification system known as the ANSHIN KYOSHITSU Master Certification System. As employee instructors gain experience teaching, they are able to acquire higher levels of certification by undergoing internal trainings and tests, beginning with Master I and then moving on to Master II and III. This system therefore helps improve the quality of our classes while providing additional motivation for employee participants. With the goal of protecting the smiles of as many children as possible, we will continue to advance this invaluable education activity on a Groupwide basis, aiming to make ALSOK employees into readily apparent contributors to the safety and security of local communities.



Takuro Seto

PR Section (I), PR Department



Badges for each certification level of ANSHIN KYOSHITSU Master Certification System



Takashi Asano

Security Operation and Management Section,  
Security Operations Dept. (I)

## Realization of a Society in which Children Can Grow Safely and Securely

I love children, and I have always had an interest in becoming a teacher. For this reason, after sitting in on an ALSOK ANSHIN KYOSHITSU class, I quickly decided to become an instructor myself.

I have acquired Master III certification under the ANSHIN KYOSHITSU Master Certification System, which is designed to help improve the quality of our classes. This level of certification is awarded to those individuals capable of serving as leaders in these activities. As such, I often find myself responsible for coordinating our efforts with schools and communities while also passing my skills onto less-experienced employee instructors.

It is not easy conducting ALSOK ANSHIN KYOSHITSU classes, as the thought processes of individual children differ as do their responses to our classes. Still, when children tell me that they want to become an ALSOK ANSHIN KYOSHITSU instructor in the future, I feel all is worthwhile. There is also a lot to be learned from children, and I am frequently inspired to consider further what is necessary for ensuring the safety and security of local communities.

By providing ALSOK's insight and expertise, I hope to contribute to the realization of a society in which children can grow safely and securely.

## Donations and Charitable Activities Based on ALSOK's Management Philosophy

### ALSOK ARIGATO UNDO

The ALSOK ARIGATO UNDO movement was launched in 1967 as an embodiment of the spirit of gratefulness and gratitude known as *arigato no kokoro*, which was originally defined by ALSOK's founder Jun Murai based on the belief that people in society agree to live and let others live. The goal of this movement is to reflect our *arigato no kokoro* for the benefits we receive constantly from the nation and society by contributing to society in Japan and overseas.

The movement is funded by donations from employees and executives at the Company and Group companies who concur with its objectives. Through monetary and non-monetary donations, including those directed at disaster relief, this movement supports social welfare, disaster relief, and a wide range of other activities.

#### Major Donations and Recipients through ALSOK ARIGATO UNDO in the Fiscal Year Ended March 31, 2015

##### Donations

###### Recipient

- Yuukikai (Social Welfare Corporation, Niigata Prefecture)
- Yuukari (Social Welfare Corporation, Kagoshima Prefecture)
- Senjukai (Social Welfare Corporation, Chiba Prefecture)
- Works Mirai Kochi (Specified Non-Profit Organization, Kochi Prefecture)
- Yuuyuusha (Specified Non-Profit Organization, Shizuoka Prefecture)
- Matsuyama City Welfare Association (Social Welfare Corporation, Ehime Prefecture)

##### Non-monetary Donations

###### Items

- 3 welfare vehicles equipped with wheelchair lifts donated to welfare facilities, such as service centers for senior citizens and people with disabilities (Tokushima Prefecture, Wakayama Prefecture, Chiba Prefecture)
- 10,000 paper binoculars assembled at a support facility for people with disabilities donated to spectators at the National Sports Festival of Japan, in Nagasaki Prefecture

##### Monetary Donations for Disasters

###### Disaster

- Landslides (Hiroshima City)
- Rainstorms during July–August rainy season (Itami City, Fukuchiyama City)
- Typhoon No. 11, Typhoon No. 12 (Kochi Prefecture, Tokushima Prefecture)



Ceremony commemorating donation of binoculars to National Sports Festival of Japan, in Nagasaki Prefecture



Handover of welfare vehicle to Bansou S&S Start, Tokushima

## Initiatives to Make Towns Safe and Secure

### Crime Prevention, Disaster Prevention, and Educational Activities for Local Communities

The ALSOK Group makes a concerted effort to conduct crime prevention activities in local communities. Specifically, we carry out volunteer crime prevention patrols using vehicles equipped with blue revolving lights in the areas surrounding branch sites every month. In addition, when on standby, employees conduct crime prevention patrols along the routes used by elementary school students when commuting to and from school. Through these efforts, employees are forming a close link with local communities. They work to raise crime prevention awareness and encourage community members to help fight crime.

With the aging of society, crime is becoming a problem for all of society, as seen in bank transfer scams and other crimes targeting senior citizens. Realizing this fact, we began offering in 2013 ALSOK HOTTO LIFE KOZA, a class for senior citizens to teach them how to avoid crimes targeting their age group. ALSOK instructors are dispatched to community aid centers and other facilities where community members gather to conduct classes that allow senior citizens to learn about crime through fun activities like card games and quizzes. For people that have concerns about their health or the health of their partner, we provide First-Aid Experience Classes, which teach CPR and AED usage and educate participants with regard to the type of symptoms that warrant an immediate call to paramedics. Furthermore, to spread first-aid awareness and knowledge among local residents, we provide guidance and advice on the use of AEDs at local events and disaster response training.



Senior citizens participating in ALSOK HOTTO LIFE KOZA together with children (ALSOK Minami Tama Branch)



AED training (ALSOK Miyagi Branch)

### Safety and Security Provided through Wildlife Trapping and Monitoring Systems

ALSOK is active in the prevention and control of damage from wildlife. In recent years, the issue of deer, boars, monkeys, and other wildlife causing damage to crops or disrupting ecosystems has become increasingly serious and widespread. By installing sensors and cameras to conduct monitoring duties, the Company helps reduce the labor burden placed on municipal government organizations and hunting associations while ensuring quick detection of cases in which traps capture animals that are not harmful or cause injury to humans. In this manner, we are working to protect the safety and security of farmers as well as preserve the pristine nature of undeveloped woodlands.



## Promotion of Sports

### Support for the Cultivation of Athletes

ALSOK supports sports, such as judo, with the goal of heightening team spirit among employees and thereby contributing to the development of the Company's business.

The Company currently has a total of 10 sports clubs, including its prestigious judo and wrestling clubs, which have produced numerous Olympic athletes\* and world champions.

ALSOK is also actively supporting the healthy development of children from local communities through sports. In the fiscal year ended March 31, 2015, we held a judo workshop in the city of Shizuoka in Shizuoka Prefecture staffed by employees that were members of the Company's judo club. In addition, members of the track and field club at Gunma Sohgo Guard System Co., Ltd., provided shot put, discus, and hammer throw instruction for children in the surrounding community. ALSOK also held various kendo and judo workshops throughout Japan.



Employees from Gunma Sohgo Guard System providing instruction

## Support for Education and Volunteer Activities

### Jun Murai Memorial Foundation

Since 2000, the Jun Murai Memorial Foundation has been providing scholarships of ¥30,000 per month to university students and graduate students finding it difficult to study for financial reasons. In the year under review, the foundation provided scholarships to 49 students, which totaled ¥17.6 million.

### Exhibit at the Manabi no Fes 2014 Family Education Event

ALSOK collaborates with Mainichi Media Café, an organization that conducts CSR activities sponsored by The Mainichi Newspapers Co., Ltd. As one facet of this collaboration, we held an exhibit at the Manabi no Fes 2014 family education event. At this event, we conducted crime prevention quizzes that provided elementary school students and their parents with a fun opportunity to learn about the potential risks present on the way to and from school.

### Disaster Relief Volunteer Support System

In June 2012, the Company introduced its disaster relief volunteer support system to help support the volunteer activities of employees. This system enables employees to acquire up to five special leave days each fiscal year to participate in Company-approved disaster relief volunteer activities.

## TOPICS Communal Activities in Earthquake-Stricken Regions Led by Star ALSOK Athletes

On November 12 and 13, 2014, star athletes from ALSOK sports clubs visited Miyagi Prefecture, which was heavily impacted by the Great East Japan Earthquake, to lead various communal activities based on the theme of empowering the quake-stricken Tohoku region.

On November 12, wrestlers Kaori Icho, Sohsuke Takatani, and Takehiro Kanakubo visited Onagawa Junior High School, in Onagawa Town, where they conducted a talk show, forging a bond with students by responding to their various questions.

On November 13, judo wrestlers Riki Nakaya, Yusuke Kumashiro, Megumi Tachimoto, and Haruka Tachimoto took part in lily bulb planting at Arahama Elementary School, in Sendai City, a school scheduled for closure due to the impacts of the Great East Japan Earthquake. This communal agricultural activity was conducted together with fifth graders from this school. These athletes also helped make mochi (pounded rice) from rice harvested in the Arahama area.



ALSOK athletes planting lily bulbs at Arahama Elementary School

Furthermore, wrestlers Saori Yoshida and Kaori Icho visited the Miyagi Prefectural Office in Sendai City and the Sendai City Office along with President Aoyama. Vice Governor of Miyagi Prefecture Shuichi Miura thanked Yoshida and Icho for their visit, stating that the visit was surely a great source of hope for the disheartened children that had suffered losses due to the earthquake in this heavily impacted region.

Yoshida also visited a temporary housing complex in Arahama, where the impacts of the earthquake were particularly severe. There, she held a communal gathering for the complex's roughly 1,000 residents.



ALSOK athletes conducting talk show for students at Onagawa Junior High School

\* The Company has been selected as a Tokyo 2020 Official Partner in the category of "Security Services and Planning" for the 2020 Summer Olympic and Paralympic Games.

## Groupwide Compliance Initiatives

The ALSOK Group's services are founded on the solid trust of society. Stringent compliance with relevant laws is absolutely essential, and we must also practice strong corporate ethics. The Company therefore places compliance among its highest management priorities, and the Group is united in advancing compliance initiatives.

### Stringent Compliance

#### Focus on Compliance

The Company is heavily focused on compliance and conducts its security services operations while observing the Security Services Act. The Company has established the Compliance Committee, which is headed by the executive officer in charge of compliance. The committee strives to install an unwavering awareness of compliance in all executive officers and employees based on the compliance rules formulated in 2002, and it periodically verifies the status of compliance in business and other activities.

#### Compliance Initiatives Implemented on a Groupwide Basis

The ALSOK Group implements Groupwide compliance initiatives that are principally based on established common themes.

In accordance with the theme for each respective year, interdivision coordination is pursued to cultivate and entrench a compliance-based mind-set.

In the fiscal year ended March 31, 2015, we worked to cultivate and entrench awareness with regard to six themes, each of which was promoted over a two-month period. The themes were compliance with the Act on Special Measures Preventing and Correcting Actions That Interfere with Shifting Consumption Tax with the Aim to Ensure the Smooth and Appropriate Pass-on of Consumption Tax; strict compliance with traffic laws; stringent labor management to prevent excessive work hours and unpaid overtime; complete avoidance of insider trading; thorough prevention of information leaks through appropriate use of IT systems; and proper submission of legally mandated forms and thorough compliance with the Security Services Act. After each two-month period, reports on activities conducted and their outcomes were compiled by Group companies as well as by the Company.

### ALSOK Hotline

#### Expansion of Scope to Group Companies

The ALSOK Hotline was set up in April 2004 to facilitate reporting and consultation regarding harassment and other inappropriate corporate behavior. If employees encounter legal issues, improper conduct, or unethical behavior, they are able to report such instances using this venue without fear of detrimental treatment.

Characteristics of the ALSOK Hotline include the protection of the reporter, the prevention of detrimental treatment, and the ability to report anonymously. These rules form the foundation of this internal reporting system. We view compliance as an important issue needing to be addressed on a Groupwide basis, and the scope of this hotline is being expanded to include Group companies for this reason. As of March 31, 2015, the ALSOK Hotline was available to employees of the Company and 48 Group companies.



Ethics education booklets distributed to employees



Promotion material for ALSOK Hotline using eye-catching illustrations

#### Initiatives at Group Companies

#### Antisocial Forces Response Training

The ALSOK Group is a proud provider of security services, dealing in safety by protecting the lives, wellbeing, and assets of customers, and it is fully aware of the responsibility that this entails. We are therefore committed to conducting appropriate business activities. At the same time, we are working to rid society of antisocial forces, such as crime syndicates and people and organizations that seek economic gain through scams and other sinister methods. ALSOK is thereby working to contribute to improved public safety while fulfilling its social responsibilities.

In the year under review, Niigata Sohgo Security Services Co., Ltd., held a training session aimed at preventing any connections with antisocial forces that was conducted by the managing director of the Niigata Center for the Elimination of Boryokudan. Primarily targeted at department heads, this training offered information on crime syndicates and other antisocial forces as well as on recent policies in this regard. Members of the Niigata Center for the Elimination of Boryokudan guided role-playing exercises illustrating the procedure for nullifying contracts if the counterparty is found to be a crime syndicate as well as other exercises designed to help employees better respond to antisocial forces.



Antisocial forces response training conducted at Niigata Sohgo Security Services

## Business Continuity Initiatives as a Company Protecting the Safety and Security of Society

In preparation for extraordinary circumstances, such as large-scale natural disasters and accidents, the Company has established a business continuity plan (BCP). Based on this BCP, we acquired certification under ISO 22301, the international standard for business continuity management systems (BCMSs), and are strengthening business continuity management initiatives. In addition, ALSOK offers BCP SOLUTION SERVICES grounded in the expertise acquired while developing its own BCP.

### Business Continuity—A Crucial Concern for Security Companies

ALSOK's main business is to protect the safety and security of people, meaning that the Company supports an important part of social infrastructure. For this reason, it is absolutely essential that we prepare for unpredictable disasters and accidents and ensure that we can continue business operations even under extreme circumstances. In fact, we believe this crucial concern also represents one of our responsibilities toward society.

At our Head Office as well as at regional headquarters and other offices, we continue to conduct practical trainings that has been fine-tuned to simulate a wide range of disturbances. In addition, specific response procedures have been developed for such disturbances, which include large-scale earthquakes and other natural disasters, damages to facilities, and an outbreak of a new strain of influenza. We have also analyzed the daily road traffic congestion patterns experienced when performing transportation security services as well as fuel consumption trends in order to facilitate the development of concrete business continuity measures. Furthermore, we use motorcycles and bicycles on a daily basis when responding to ATM malfunctions as another measure to ensure business continuity in the event of a disaster.

ALSOK recognizes that there is no defined end point for BCPs and that there is always room for improvement.

Partially influenced by the unprecedented Great East Japan Earthquake of 2011, we realized the need to further improve our BCP. Accordingly, we acquired certification under ISO 22301 in March 2014, making the Company the first security services provider in Japan to receive this certification. Going forward, ALSOK will continue instituting measures to ensure it can always fulfill its social responsibilities, even under extreme circumstances.



Proof of ISO 22301 certification

### BCP Drills in Preparation for Emergencies

ALSOK supports an important part of social infrastructure that underpins the safety and security of society, and the Company is thus charged with the crucial social responsibility of ensuring the continuity of its business. Natural disasters cannot be prevented. For this reason, it is absolutely essential that we implement countermeasures to minimize the impacts of such disasters and be prepared to appropriately resume any disrupted operations in order to halt the spread of damages by averting secondary disasters. Moreover, risk management based on BCPs and business continuity management principles has become a common practice, and all organizations are now expected to establish practical recovery plans and be capable in swiftly resuming disrupted operations. To ensure these capabilities, regular drills are required. The Company conducts comprehensive disaster response drills as well as drills on assembling employees via travel by foot once a year. It also practices safety conformation through drills for all employees that simulate various disasters, thereby guaranteeing readiness for various emergency situations. Furthermore, we realize that the expertise accumulated by implementing the Company's BCP measures can be applied to any organization or company, and we are therefore providing this expertise in the form of BCP SOLUTION SERVICES.



Drill for assembling employees via travel by foot



Comprehensive disaster response drill

#### TOPICS BCP Support Provided as Initial Response Experts

BCPs are becoming increasingly more important in ensuring that companies can minimize the impacts of abnormal occurrences, accidents, natural disasters, and other emergency situations on their business, continue operating, and quickly resume any disrupted operations. To aid companies in establishing BCPs for responding to such emergencies, ALSOK provides BCP SOLUTION SERVICES to offer comprehensive support ranging from assistance in formulating plans and manuals to guidance for conducting drills and the provision of disaster prevention supplies. By drawing on the wealth of experience and expertise we possess as initial response experts, we help customers develop disaster response manuals that are optimally based on the perspective of work sites. We also provide support for conducting disaster response drills, select the disaster response items customers should stockpile, and offer aid for instituting various other risk management measures.



Disaster response planning utilizing a map

## Protection and Management of Information Assets

The ALSOK Group realizes that properly protecting and managing information assets is an important task for management. For this reason, we have established the Basic Information Security Policy and are constructing systems to ensure that appropriate precautions are always taken for information leaks and other information risks.

### Measures for Protecting and Managing Information Assets

#### Basic Policies for Information Security

The ALSOK Group receives information from customers when concluding security contracts. Therefore, appropriate protection and management of information assets is essential to conducting security operations.

With this in mind, we established the Basic Information Security Policy in 2004. Forming the basis for Companywide information security efforts, this policy is applied to all employees, including executive officers, and all the information assets that we hold.

In addition, ALSOK has established the Personal Information Security Policy as well as developed internal personal information security regulations and management systems. Also, related training and educational programs are conducted. These measures are applied to the Company and all Group companies. In these ways, we ensure that personal information is properly protected.

#### IT System Security Measures

The ALSOK Group carefully monitors all computer servers that are connected to the Internet to determine whether or not they are vulnerable to threats. We are thereby constructing systems that allow security measures to be implemented immediately should the security precautions in place for a server be deemed insufficient.

In April 2012, with the aim of developing an understanding of the risks of computer viruses and educating employees, we began conducting internal drills to prepare for cyber-attacks utilizing targeted emails.\* In addition, we have installed into all computers software that helps prevent information leakage due to the loss of removable memory media by setting limitations on saving files onto such media. Furthermore, we periodically check employees' private computers that are used at home to confirm that the employees do not have any

file-sharing software installed or business data saved to their hard disk. This measure enables us to ensure the safety of non-work-use computers as well.

\* A type of cyber-attack involving emails sent to specific companies or individuals with the aim of attacking their systems or leaking confidential information

#### Strengthening of Systems for the Protection and Management of Information Assets

Aiming to bolster the protection and management of information assets, the ALSOK Group is promoting the acquisition of certification under ISO 27001, which is the international standard for information security management systems. As of March 31, 2015, the Company and 15 Group companies had acquired this accreditation.

In addition, the Company has established an internal computer security incident response team (CSIRT) as a precaution for the risk of cyber-attacks and other serious information security breaches.

#### Reinforcement of Personal Information Management Systems

As a security company responsible for protecting people's lives and assets, ALSOK realizes that the trust of customers forms the basis for its operations. Striving to achieve even higher levels of personal information management, the Company acquired PrivacyMark® accreditation in July 2013.

The Company believes that promoting stringent personal information security management will in turn help improve the quality of services provided to customers.

The PrivacyMark System® was established by JIPDEC (Japan Information Processing Development Center) to acknowledge private enterprises that take appropriate measures to protect personal information. Compliant enterprises are granted the right to display "PrivacyMark" in the course of their business activities.



### TOPICS Initiatives to Protect Information Assets—Targeted Email Response Drills

The damages brought about by targeted emails have come to be a major social issue in recent years. These intricately designed emails present false information to lure unsuspecting readers into opening attachment files or clicking on misleading links. Should the recipient fall for such deception, the computers or servers of the targeted organization will become infected with computer viruses, enabling the sender of the email to access and steal information on the technologies, customers, or know-how of the organization.

As these emails are only sent to specific targets, it is difficult for the viruses they carry to be detected by standard antivirus software. To combat this threat, ALSOK conducts response drills several times a year in which simulated targeted emails are sent to employees working at its Head Office and at all other Company offices. These drills encompass the procedure of immediately reporting to the information management representative should a targeted email be mistakenly opened, a measure meant to prevent damages from secondary incidents. We are thereby working to raise understanding and awareness among all employees with regard to such procedures as they carry out their daily duties.





To the Company, CSR entails remaining ever mindful of the expectations of customers and society at large and exercising its management philosophy based on the principles of *arigato no kokoro*, an ever-present feeling of gratefulness and gratitude, and *bushi no seishin*, a strong and noble samurai spirit that emphasizes teamwork and unity above all else.

## ALSOK's Fundamental Spirit and CSR Policy

### Protection of the Safety and Security of Society

Since its founding in July 1965, the Company has continued to develop its security services business in accordance with its fundamental spirit, which is defined by the two principles set out in its management philosophy: *arigato no kokoro* and *bushi no seishin*.

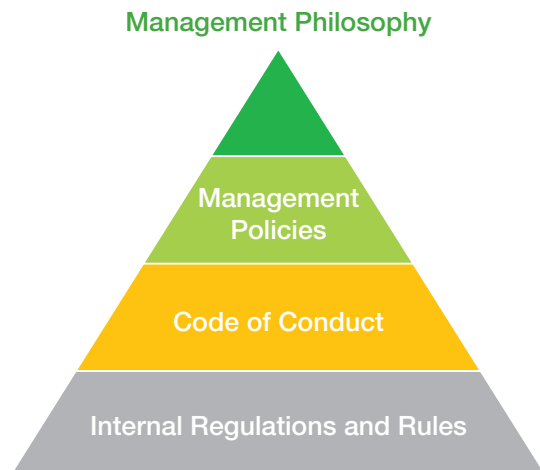
These two principles of our fundamental spirit embody our strong sense of commitment toward protecting the safety and security of society. We believe that CSR entails faithfully exercising this fundamental spirit and contributing to the resolution of the issues faced by customers and society through our business activities.

## Structure of CSR Ideals

### Clear Identification of Activities Based on Our Management Philosophy

Based on the Company's management philosophy, ALSOK has established its management policies and code of conduct as well as a framework of internal rules and regulations. Furthermore, the Company has outlined issues to address in its CSR activities, giving a clear structure to its CSR ideals.

The management policies set out the principles of how the ALSOK Group should engage with its stakeholders. The code of conduct defines how all members of the Company, including employees and executive officers, should act in carrying out their daily business activities. The Company has also established various regulations and internal rules related to specific issues. Based on these guidelines, we are incorporating CSR activities into all areas of our business operations. (For more information, please refer to page 15.)



## Strengthening of the CSR Promotion Framework

### CSR Activities Centered on the CSR Office

In April 2011, the Company established the CSR Office. This office is responsible for all areas of the Group's CSR activities and undertakes such tasks as managing the implementation of CSR activities and communicating CSR-related information to stakeholders.

For the fiscal year ended March 31, 2015, the Company published *ALSOK Report 2015*, the first edition of a new series of yearly reports that compile both financial and non-financial information to provide a more-integrated and easier-to-understand view of the link between the ALSOK Group's business activities and CSR activities. Meanwhile, we provided more-robust disclosure of CSR-related information through our website to better practice corporate accountability. Going forward, we will continue to advance CSR activities in accordance with ISO 26000 as we plan and construct our website and future ALSOK reports and undertake other endeavors to further promote CSR.

## Initiatives to Inculcate CSR

### Internal CSR Lectures

The CSR Office leads efforts to inculcate CSR throughout the Company. These initiatives include distributing our in-house quarterly magazine, *ALSOK CSR Newsletter*, and our *CSR Activities Guide*.

We also conduct a yearly lecture utilizing our CSR report that is incorporated into training for newly promoted managers. In the fiscal year ended March 31, 2015, approximately 500 people attended this lecture. As a result, our annual questionnaires continue to show year-on-year improvement in the understanding of CSR among employees. Targeting all employees, including those of Group companies, our dedicated department, the CSR Office, will continue leading CSR education efforts.



Training for newly promoted managers utilizing *CSR Report 2014*

Global environmental concerns are common issues for all of humanity. For this reason, the Company is working to reduce the environmental impact of its operations and has set concrete goals to this effect.

### Energy Use and Environmental Impact Reduction

#### Concerted Group Effort to Reduce Energy Use

An April 2010 revision to the Act on the Rational Use of Energy classifies the Company as a special company that uses energy exceeding a specified volume, which is calculated by converting the use of electricity, gas, kerosene, and other energy sources into kiloliters of crude oil. Consequently, we are required to reduce energy usage by 1% or more per year versus the level of the fiscal year ended March 31, 2010.

Mindful that we have many offices, facilities, and vehicles for business use throughout Japan, we established the Medium- to Long-Term Environmental Management Plan in the fiscal year ended March 31, 2010. Based on this plan, the Company is making a concerted effort to reduce electricity usage and vehicle fuel consumption volumes.

In addition, we analyze the usage patterns of every bank ATM we manage throughout Japan in order to determine the optimal routes for checking these ATMs. Through this process, we are able to replenish and collect cash more efficiently without impeding customer convenience, which remains our top priority. These efforts consequently allow us to limit the number of unnecessary ATM checks, effectively reducing fuel consumption and CO<sub>2</sub> emissions associated with the travel involved in these checks.

In the fiscal year ended March 31, 2015, we worked to cultivate a mind-set focused on electricity conservation among employees while converting vehicle standby positions in the Electronic Security Services segment to facility standby positions and actively introducing fuel-efficient vehicles and motorcycles into our fleet. At the same time, with the aim of reducing vehicle traveling distance, we developed more-efficient routes for use by sales staff on sales visits and lowered the number of technicians placed on night duty.

As a result, we achieved a massive 7.9% reduction in electricity usage in comparison with the fiscal year ended March 31, 2010, the year in which we established reduction goals. This decrease was accomplished despite the increase in the number of offices and the record-breaking summer heat.

In addition, vehicle fuel consumption volumes showed a substantial reduction, decreasing 6.2% year on year, to 9,029.6 kiloliters. While vehicle traveling distance rose due to the expanded range of business activities in the Transportation Security Services segment, the impacts of this longer traveling distance were outweighed by the benefits of introducing into our fleet hybrid-electric vehicles, motorcycles, and pedal electric cycles. Going forward, we will continue working toward converting our entire fleet to eco-friendly vehicles in the pursuit of further reductions in fuel consumption.

### Reduction of Security Vehicle Energy Use

#### Introduction of Fuel-Efficient and Eco-Friendly Vehicles

Vehicles are a major part of the ALSOK Group's operations. However, we are actively introducing hybrid-electric vehicles, electric vehicles, motorcycles, pedal electric cycles, and other fuel-efficient vehicles with the aim of converting our entire fleet to eco-friendly vehicles. In addition, we are pursuing further fuel savings by promoting idling stops and eco-friendly driving techniques.

As of March 31, 2015, nearly all of the vehicles in ALSOK's fleet qualified as low-emissions vehicles based on the certification standards established by the Ministry of Land, Infrastructure, Transport and Tourism. Specifically, the fleet comprised 373 hybrid-electric vehicles, and we have also introduced into this fleet 643 motorcycles, 5 electric motorcycles, 191 pedal electric cycles, and 429 bicycles with the aim of cutting fuel consumption while securing a sufficient level of mobility. In addition, we have begun introducing liquid petroleum gas powered vehicles and motorcycles\* at certain branches in order to further reduce our environmental footprint.

\* Liquid petroleum gas powered engines emit 12% to 15% less CO<sub>2</sub> than gasoline engines and approximately 6% less CO<sub>2</sub> than diesel engines with the same emission class and fuel-supply method. Accordingly, liquid petroleum gas is seen as the cleanest of all fossil fuels.



Hybrid-electric vehicle belonging to ALSOK  
Tokushima branch

### 3R Initiatives

ALSOK is advancing Companywide initiatives based on the "3Rs," or reduce, reuse, and recycle. We cooperate with garbage separation and ink cartridge collection programs, and we also reuse and recycle various types of equipment. Articles to be disposed of at branches in the Tokyo metropolitan area are accumulated at our repair center in Shin Yokohama, which categorizes items, repairs and ships those to be reused, and properly disposes of or recycles the remaining items. In the year under review, the average ratio of waste recycled at all branches was approximately 34%. In addition, the rechargeable nickel-cadmium batteries used in our various power supply equipment are recycled to make further contributions to the preservation of the environment. The range of batteries to be recycled was recently expanded, and we recycled approximately 17,000 batteries in the year under review as a result.



In April 2015, ALSOK planted approximately 2,000 modified disease-resistant Japanese black pine (*Pinus thunbergii*) saplings in Sammu City, Chiba Prefecture. These afforestation activities were conducted as part of our social contribution initiatives commemorating ALSOK's 50th anniversary. President Aoyama and 102 employees took part in this event, which was attended by Sammu City's Mayor Senshu Shiina.

### Environmental Preservation and Contribution to the Safety and Security of Impacted Regions

Following the Great East Japan Earthquake, the Hasunuma area of Sammu City was heavily impacted by the ensuing tsunami, which almost completely destroyed a stretch of approximately eight kilometers along the coastline. Hasunuma was the southernmost area to be impacted by the tsunami that resulted from the earthquake, and it is sometimes viewed as an invisible victim. As part of our social contribution initiatives commemorating ALSOK's 50th anniversary, we conducted afforestation activities along the Hasunuma coastline with the aim of helping preserve the environment and reviving a forest that had previously played a part in limiting disaster damages.

In this undertaking, we received guidance on tree-planting techniques from Laboratory of Earth Conscious Life, a specified non-profit organization that conducts afforestation activities centered on Nagano Prefecture and Chiba Prefecture. Over the course of the project, more than 100 employees took part in planting approximately 2,000 modified disease-resistant Japanese black pine (*Pinus thunbergii*) saplings, the species of which was selected by Chiba Prefecture. In July 2015, we weeded the area, a task that is essential in ensuring the healthy growth of the saplings, which were deemed to be properly taking root.

In addition to helping preserve the environment, this initiative will contribute to the safety and security of the Hasunuma area, which was heavily impacted by the Great East Japan Earthquake, by reviving a forest that will play a part in limiting disaster damages. As such, these afforestation activities can truly be said to be social contribution activities characteristic of ALSOK. We intend to continue such activities in the future.

#### Timeline of Afforestation Activities

February 2015	Placed stakes to signify planting locations to prepare for actual planting
April 2015	Conducted tree planting (social contribution initiative commemorating ALSOK's 50th anniversary)
July 2015	Weeded area around planted saplings



### Incredibly Meaningful Activities Advanced by Utilizing the Strengths of Companies and NPOs

**Hidenobu Takegaki**

Mobile Forces Member and Representative Director  
Laboratory of Earth Conscious Life  
Specified Non-Profit Organization

Laboratory of Earth Conscious Life hopes to create a society in which people are not only aware of the importance of trees and forests but also feel closely connected to them. In this society, all people will be able to interact closely with those living in mountain villages, ensuring that everyone lives in harmony with one another.

We have chosen to undertake afforestation activities in Sammu City in light of the heavy tsunami-related damages suffered by Chiba Prefecture as well as the particularly heavy blow dealt to the disaster-prevention forest in this city. With each coming year, we are expanding the range of our forest revival activities while soliciting contributions from municipal governments, companies, and individuals.

Forests are important sources of water and air that are indispensable to all of our lives. Companies and NPOs have very different places in society. I therefore feel that activities for preserving and reviving forests advanced by utilizing the differing strengths of companies and NPOs are incredibly meaningful.

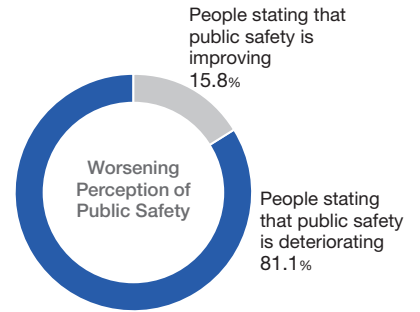
The trees planted with ALSOK will take more than 50 years to reach their full size. I hope I am able to see these trees when ALSOK celebrates its 100th anniversary, as they will have no doubt grown large and come to be effective in their disaster prevention role.

# Security Services Industry and the ALSOK Group

## Operating Environment for the Security Services Industry

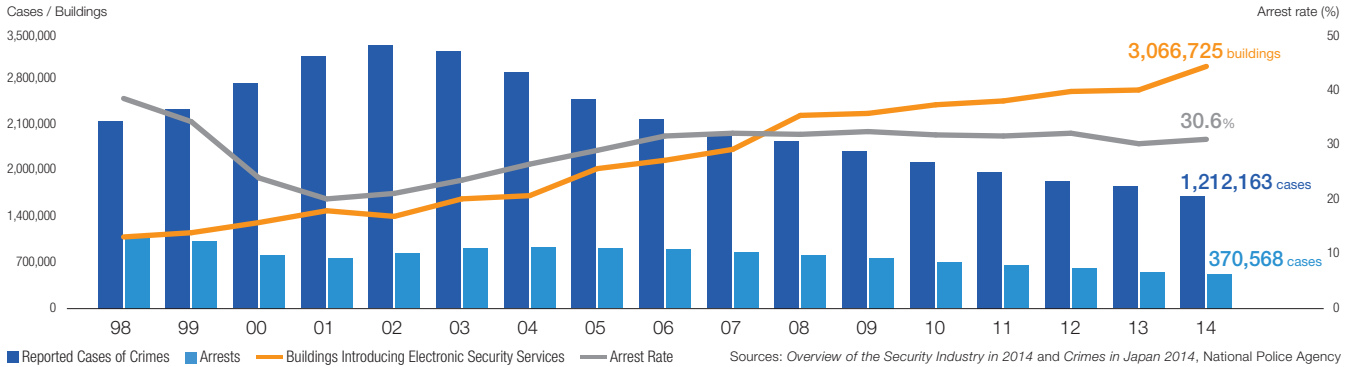
The number of reported crimes in Japan has been declining for 12 straight years and had dropped to 1.21 million in 2014, less than half the peak figure of 2.85 million in 2002. One factor behind this decline is, of course, government crime prevention initiatives. However, another contributing factor is undoubtedly the fact that security services companies have become commonly recognized as providers of services that protect the safety and security of society, which has led to a more-than-twofold increase in the number of house and other buildings introducing electronic security services, from 1.16 million in 2002 to 3.06 million in 2014.

Regardless, many people still feel that public safety is deteriorating, a sentiment that is accentuated by the rise in ever-more menacing crimes by minors, special-case scams targeting senior citizens, and cybercrimes.



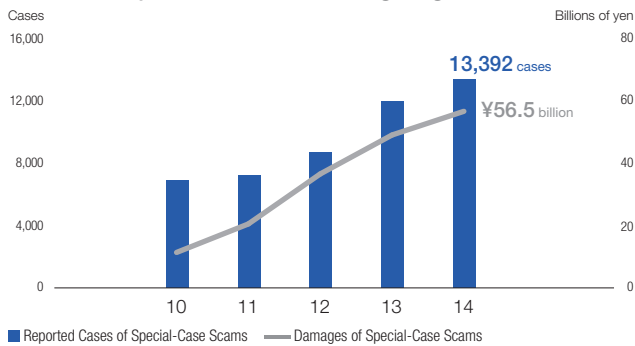
Source: Special Public Perception Survey on Public Safety, Cabinet Office (2012)

## Numbers of Reported Cases of Crimes and Buildings Introducing Electronic Security Services



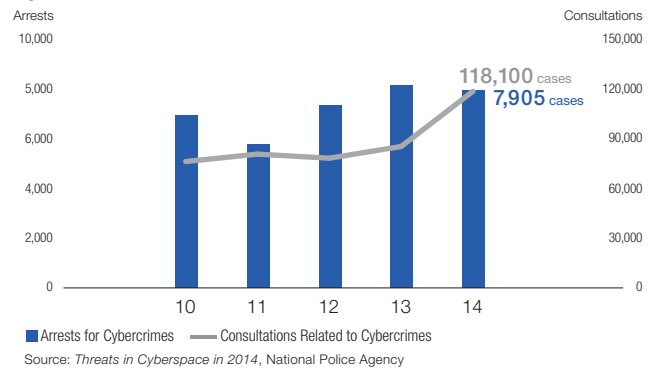
Sources: Overview of the Security Industry in 2014 and Crimes in Japan 2014, National Police Agency

## Number of Special-Case Scams Targeting Senior Citizens



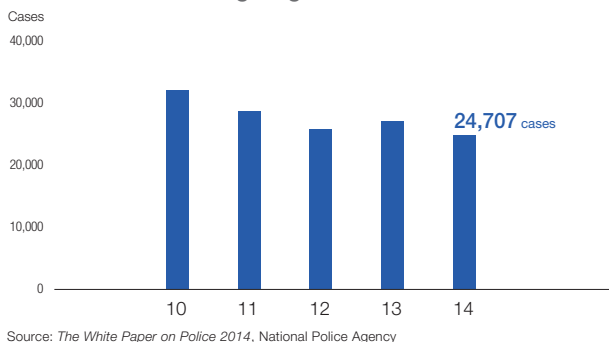
Source: Reported Cases of Special-Case Scams and Arrest Rates in 2014, National Police Agency

## Cybercrimes



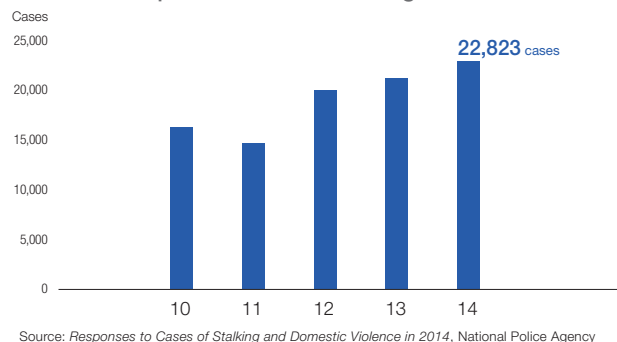
Source: Threats in Cyberspace in 2014, National Police Agency

## Number of Crimes Targeting Children



Source: The White Paper on Police 2014, National Police Agency

## Number of Reported Cases of Stalking



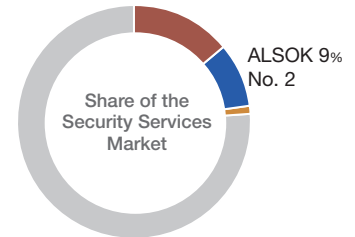
Source: Responses to Cases of Stalking and Domestic Violence in 2014, National Police Agency



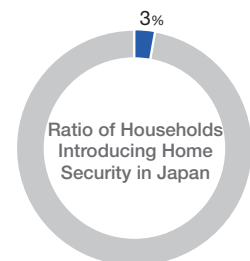
## Trends in the Security Services Industry

Total annual sales in the Japanese security services industry exceeded ¥3.3 trillion.<sup>1</sup> In the fiscal year ended March 31, 2015. Presently, there are approximately 9,240<sup>1</sup> security services companies in Japan; however, including ALSOK, there are currently only two companies with annual sales of more than ¥300.0 billion. The third-largest company has sales of approximately ¥41.7 billion, and there is a wide gap between this company and ALSOK in terms of profitability. Moreover, the majority of security services companies primarily offer labor-intensive stationed security services, including traffic control<sup>2</sup>. Only a small percentage of these companies are capable of offering electronic and transportation security services, which require a large amount of capital investment. Contrary to the upward trend in the number of buildings introducing electronic security services, a trend driven by the worsening perception of public safety, the number of companies capable of providing these services is on the decline. Looking forward, we anticipate that the reorganization of small and medium-sized companies in the industry will continue to progress.

1. Source: *Overview of the Security Industry in 2014*, National Police Agency  
 2. Some countries do not consider traffic control to be part of security services.



Source: *Overview of the Security Industry in 2014*, National Police Agency

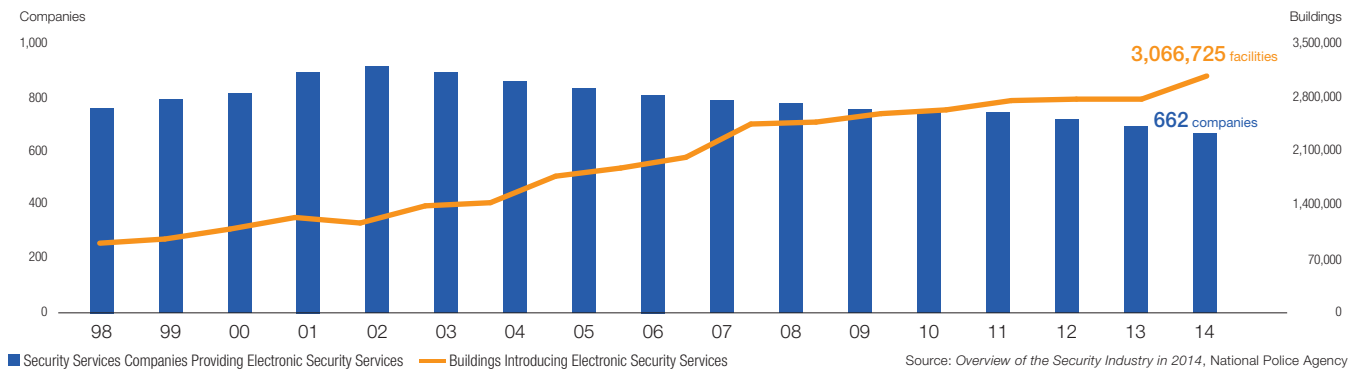


Sources: *Overview of the Security Industry in 2014*, National Police Agency; *Statistics of Japan 2012*, Statistics Bureau, Ministry of Internal Affairs and Communications

## Characteristics of the Japanese Security Services Industry

In the United States, when a security alarm signal is transmitted, police generally receive the information directly from the security company's monitoring center and rush to the scene. Japan's system, however, is more centered on the security company as, after a disturbance is detected, it is the security company's security guards that rush to the scene. Working in conjunction with the company's guard centers, these security guards address the situation, contacting the police, fire, and other designated bodies as deemed necessary. For this reason, security companies hold the keys to their clients' premises. As such, Japan's system is significantly different from that of the United States.

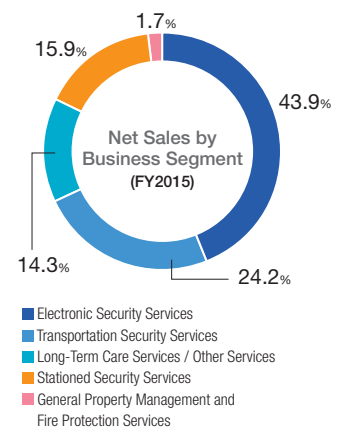
## Numbers of Security Services Companies Providing and Buildings Introducing Electronic Security Services



## ALSOK Group Business Model

With its electronic security services, which account for more than 40% of total net sales, and its stationed security services and transportation security services, the ALSOK Group provides a comprehensive lineup of products and services that contribute to safety and security. Moreover, we possess a nationwide network of sales offices and operating bases, and we have established unshakable trust among banks and other financial institutions, which account for approximately 25% of total net sales. Currently, we are entrusted with the management of approximately 52,000 ATMs located throughout Japan, making us the industry leader in this respect.

Furthermore, the Electronic Security Services segment operates a stock business model in which clients from the previous fiscal year generally continue their contracts, thus allowing the segment to grow on an ongoing basis. Presently, 463,053 corporate client facilities, up 5.2% year on year, and 340,548 residential households, up 43.3% year on year, are connected to ALSOK's Guard Centers through telecommunications lines, proving the stable growth potential of this business.



# Corporate Governance

## Basic Corporate Governance Policy and System

The ALSOK Group advocates “contribution to society and public welfare” as one of its management policies, and the Group focuses its efforts on protecting the safety and security of customers and society. Meanwhile, to continue to be a corporate group that is trusted by all stakeholders, we strive to reinforce Groupwide corporate governance with measures that separate managerial execution and oversight functions, allow swifter decision making, encourage strong corporate ethics, and provide transparency in business management.

### Corporate Governance System

The Company employs the Audit & Supervisory Board Member system, effectively creating a double-check function through which operational execution is overseen by the Board of Directors, while the Audit & Supervisory Board conducts audits. ALSOK strives to clarify the division of roles in management and business execution as well as expedite management decision making. To those ends, it introduced the executive officer system in June 2002, an in-house company system in April 2010, and appointed a chief executive officer (CEO) and a chief operating officer (COO) on April 1, 2011.

Corporate governance system	Company with Audit & Supervisory Board
Chairman of the Board of Directors	Chairman and Representative Director
Number of directors	8 (of whom 2 are outside directors)
Number of Audit & Supervisory Board Members	4 (of whom 3 are outside Audit & Supervisory Board Members)
Ratio of outside directors and Audit & Supervisory Board Members to total directors and Audit & Supervisory Board Members	42%
Number of independent directors/Audit & Supervisory Board Members	5
Number of meetings of the Board of Directors and attendance by outside directors and Audit & Supervisory Board Members in the year under review	17 times Outside directors: 1 attended 94% of meetings, 1 attended 100% of meetings Outside Audit & Supervisory Board Members: 2 attended 100% of meetings, 1 attended 94% of meetings
Number of meetings of the Audit & Supervisory Board and attendance by outside Audit & Supervisory Board Members in the year under review	17 times 2 attended 100% of meetings, 1 attended 94% of meetings

### Reasons for Appointment and Duties of Outside Directors and Outside Audit & Supervisory Board Members

The Company employs two outside directors and three outside Audit & Supervisory Board Members; applications have been submitted to the Tokyo Stock Exchange identifying each of these individuals as independent directors and independent auditors, respectively. It is anticipated that each outside director and each outside Audit & Supervisory Board Member will offer valuable input based on the experience and expertise acquired during their professional career. Further, these independent officers are free of circumstances that would cause them to hold conflicting interests with the general shareholders of the Company. In total, these factors are expected to enable the outside directors and Audit & Supervisory Board Members to effectively monitor management from an independent standpoint, and they were appointed based on this belief.

Outside directors and outside Audit & Supervisory Board Members attend meetings of the Board of Directors, at which they offer their opinions on the matters at hand. They receive briefings on the issues to be

discussed at meetings of the Board of Directors prior to the meeting, allowing them to more effectively monitor management. The participation of the outside directors in these meetings enables them to monitor the operational execution of other directors with regard to Internal Control Operations and other matters from an independent standpoint.

The outside Audit & Supervisory Board Members coordinate with the Inspection Department and the independent auditing corporation employed by the Company in regard to audits by Audit & Supervisory Board Members, internal audits, and accounting audits. To facilitate this coordination, the outside Audit & Supervisory Board Members periodically exchange information with these bodies. They also evaluate the legality of the measures implemented by Internal Control Operations. To this end, they perform both operational and accounting audits of the organization and review all relevant documents.

In view of the above, the Company believes that the outside Audit & Supervisory Board Members are able to conduct effective and comprehensive audits and that the governance controls for management are functioning properly.

## Compensation for Directors and Audit & Supervisory Board Members

### Amount of Compensation

The number of members and total compensation for each classification in the fiscal year ended March 31, 2015, are as follows.

Classification	Members	Total compensation (Millions of yen)
Directors (excluding outside directors)	6	180
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	1	23
Outside directors and Audit & Supervisory Board Members	5	53
Total	12	257

### Policies and Methods for Deciding Compensation Amounts

Annual limits of ¥400 million for the compensation of directors and ¥120 million for the compensation of Audit & Supervisory Board Members have been set at General Shareholders' Meeting. The compensation of directors includes a fixed amount, calculated according to their positions and whether they are an outside director or not, as well as a performance-linked amount, calculated based on an evaluation of the operational execution performance of individual directors in the previous fiscal year conducted in accordance with predetermined standards. Decisions regarding the compensation of directors are made by the Board of Directors. The compensation of Audit & Supervisory Board Members is paid as a fixed amount decided in accordance with standards set by the Audit & Supervisory Board.

## Internal Control System

Based on the Companies Act and the Financial Instruments and Exchange Act, the Company has established systems to ensure directors perform duties in compliance with all relevant laws and regulations and the articles of incorporation. In addition, the Company has in place systems for guaranteeing that proper operating practices are observed by other listed companies and the corporate groups

consisting of these companies and their subsidiaries.

The management of the ALSOK Group carried out an evaluation of the Group's internal control system as of March 31, 2015, based on the Financial Instruments and Exchange Act. This evaluation found that the internal control system is effective, which has been noted in the report on the internal control system. The independent auditing corporation, Grant Thornton Taiyo LLC, has also expressed the opinion that the result of the evaluation by the management noted in the internal control report is accurate.

## Compliance

The Company has established the Compliance Committee, which is headed by the executive officer in charge of compliance. The committee strives to inculcate an unwavering awareness of compliance in all executive officers and employees based on the compliance rules formulated in 2002, and it periodically verifies the status of compliance in business and other activities. Furthermore, the Company conducts activities to promote compliance on a Groupwide basis. Moreover, along with the Education & Training Department, the Compliance Committee is implementing corporate ethics training and taking other steps to cultivate and thoroughly entrench a compliance-based mind-set.

The ALSOK Hotline was set up in April 2004 to facilitate early identification and prevention of corporate ethics issues. This hotline allows employees to report any issues that they may witness. (For more information, please refer to page 29.)

## Risk Management

The Company places particular importance on risk management, which is central to its business of protecting the safety and security of society. Accordingly, the Company formulated risk management rules in 2002. The Company then established the Risk Management Committee based on these risk management rules and assigned the executive officer in charge of risk management as its chairperson. In addition, individual risk

management assessment bodies have been set up at the Head Office and each individual business office to undertake exhaustive, Companywide risk management activities. Furthermore, the Company has developed organizational structures to ensure that it can respond quickly should a serious emergency occur. Through such structures, the Company is able to relay urgent orders throughout the organization, set up a response headquarters, or take other emergency response measures.

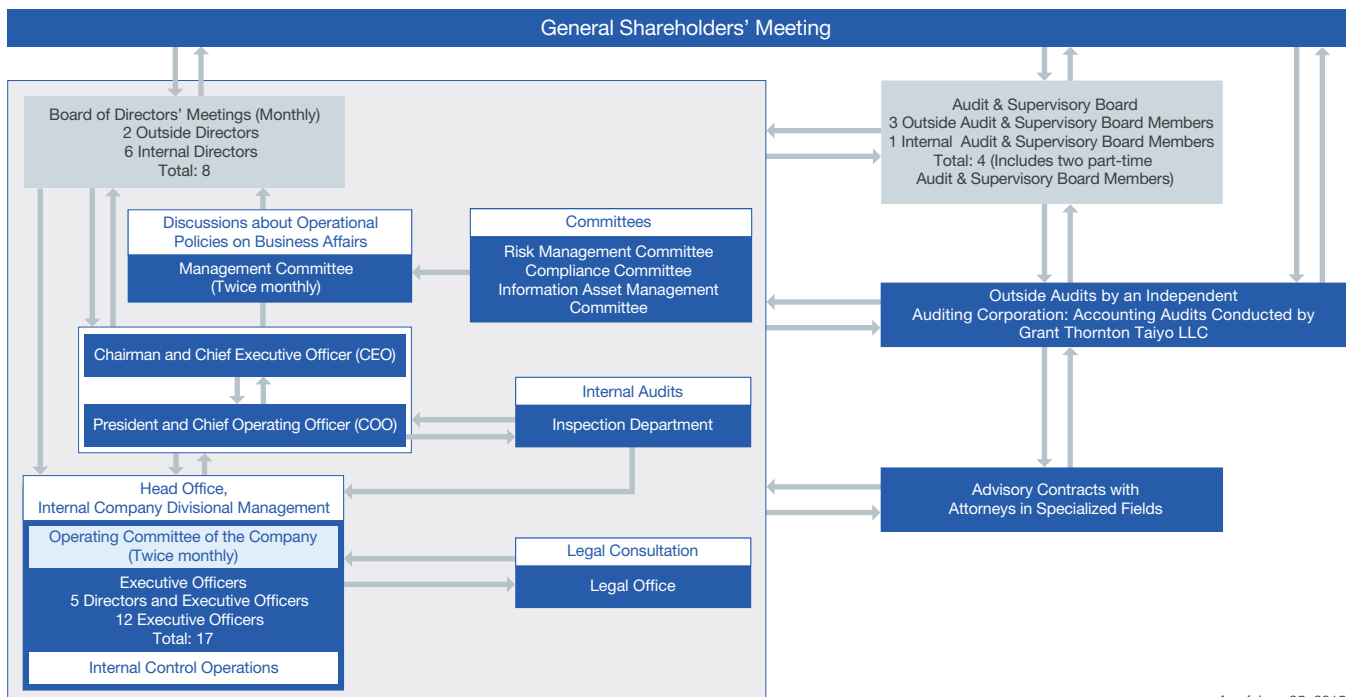
In September 2004, the Company established the Information Asset Management Committee, chaired by the executive officer in charge of information asset management. The purpose of the committee is to respond as swiftly as possible to changes in the information asset management environment, such as the full implementation of the Personal Information Protection Law, which was enacted in April 2005. The committee undertakes such activities as the development of a structure for the management of personal, business, and other important information in the Company's possession as well as the promotion of employee education on this topic.

## Disclosure and IR Activities

ALSOK has formulated its Disclosure Policy based on which it actively conducts impartial and timely information disclosure. In addition, the Company has revised its investor relations (IR) website to provide investors and other stakeholders with greater ease in finding the information they seek. We also aim to foster a deeper understanding among overseas institutional investors of the security services industry in Japan and the growth strategies of the ALSOK Group. To this end, we provide English-language translations of financial summaries and other documents on our English-language IR website.



The Company's IR Website <http://www.alsok.co.jp/en/ir/>



As of June 25, 2015

# Directors, Corporate Auditors, and Executive Officers As of June 25, 2015

## Directors

### Atsushi Murai

Chairman and Representative Director  
Chief Executive Officer (CEO)

Sep. 1995: Director-General, Chubu Regional Police Bureau (Resigned in Jun. 1996)  
Jun. 1996: Deputy Governor, Deposit Insurance Corporation of Japan (Resigned in Sep. 1997)  
Sep. 1997: Joined the Company as a consultant  
Jun. 1998: Senior Executive Vice President and Representative Director  
Jun. 2001: President and Representative Director  
Jul. 2003: Chief Officer of Business Promotion Division  
Apr. 2004: Chief Officer of Security Operations Division  
Apr. 2011: Chief Executive Officer (Current)  
Apr. 2012: Chairman and Representative Director (Current)



### Yukiyasu Aoyama

President and Representative Director  
Senior Executive President  
Chief Operating Officer (COO)  
President of ALSOK Company  
Chief Officer of Business Promotion Division

Jul. 2006: Director-General, Customs and Tariff Bureau, Ministry of Finance Japan (Resigned in Jul. 2008)  
Aug. 2008: Joined the Company as Senior Executive Officer, Chief Officer of Security Operations Division  
Apr. 2009: In charge of Human Resources, Security Operations, and Corporate Ethics  
Jun. 2009: Executive Vice President and Representative Director  
Apr. 2010: Senior Executive Vice President and Representative Director, Chief Officer of Business Promotion Division (Current)  
Apr. 2011: Chief Operating Officer (Current)  
Apr. 2012: President and Representative Director (Current)  
Senior Executive President (Current)



### Yuichi Miyazawa

Director  
Senior Executive Officer  
Strategic Business  
Management Company  
Regional Management

Apr. 1978: Joined the Company  
Apr. 2004: General Manager of Human Resources Department  
Apr. 2007: Executive Officer, Deputy Chief Officer of West Headquarters  
Jun. 2010: Senior Executive Officer  
Jun. 2011: Director and Senior Executive Officer (Current)  
Apr. 2014: In charge of Strategic Business, Management Company, and Regional Management (Current)

#### Major Concurrent Positions

Apr. 2014: Representative Director, Japan Facilio Co., Ltd. (Current)  
May 2014: Representative Director, Nippon Building Maintenance Co., Ltd. (Current)  
Feb. 2015: President and Representative Director (Outside Director), ALSOK Care & Support Co., Ltd. (Current)



### Kiyomi Hara

Director  
Senior Executive Officer  
Deputy Chief Officer of Business Promotion Division  
Chief Officer of Corporate Customer Sales Promotion  
Sales Promotion

Mar. 1970: Joined the Company  
Apr. 2003: General Manager of Yokohama Branch  
Jun. 2007: Executive Officer responsible for stationed security services reorganization  
Jun. 2010: Executive Officer  
Deputy Chief Officer of Business Promotion Division (Current)  
Jun. 2011: Director and Senior Executive Officer (Current)  
Apr. 2012: In charge of Sales Promotion (Current) and Corporate Customer Sales Promotion  
Apr. 2014: Chief Officer of Corporate Customer Sales Promotion (Current)

#### Major Concurrent Positions

Jun. 2011: Representative Director, Sokei Leasing Co., Ltd. (Currently ALSOK LEASING CO., LTD.)  
Apr. 2014: Representative Director, ALSOK Souei Co., Ltd. (Current)



## Corporate Auditors

### Makoto Uenoyama

Audit & Supervisory Board Member  
(Outside Audit & Supervisory Board Member)

Jun. 2007: Director, Matsushita Electric Industrial Co., Ltd. (Currently Panasonic Corporation)  
Apr. 2010: Managing Director, Panasonic Corporation (Resigned in Jun. 2012)  
Jun. 2012: Managing Executive Officer, Panasonic Corporation (Resigned in Mar. 2013)  
Apr. 2013: Corporate Advisor, Panasonic Corporation (Resigned Apr. 2015)  
Jun. 2013: Joined the Company as Audit & Supervisory Board Member (Current)

### Masaki Tatsuguchi

Audit & Supervisory Board Member

Apr. 1978: Joined the Company  
Aug. 2005: General Manager of Shiga Branch  
Jan. 2010: General Manager of Finance & Accounting Department  
Oct. 2012: General Manager of General Affairs Department  
Jun. 2014: Chief Officer of Regional Division (VII)  
Jun. 2015: Audit & Supervisory Board Member (Current)

### Takeshi Oiwa

Audit & Supervisory Board Member  
(Outside Audit & Supervisory Board Member)

Apr. 2007: Managing Executive Officer, Sompo Japan Insurance Inc. (Currently Sompo Japan Nipponkoa Insurance Inc.)  
Jun. 2007: Director and Managing Executive Officer, Sompo Japan Insurance Inc.  
Jun. 2010: Director and Senior Managing Executive Officer, Sompo Japan Insurance Inc.  
Jan. 2011: Deputy President and Director, Sompo Japan Insurance Inc. (Resigned in Mar. 2011)  
Apr. 2011: Audit & Supervisory Board Member, Nippon Export and Investment Insurance (Current)  
Jun. 2011: Joined the Company as Audit & Supervisory Board Member (Current)

### Ikuhiro Watanabe

Audit & Supervisory Board Member  
(Outside Audit & Supervisory Board Member)

Jun. 2007: General Manager of Custodial Department, The Norinchukin Bank (Resigned in May 2009)  
Jun. 2009: Manager of Internal Audit Division, Starzen Co., Ltd.  
Apr. 2013: Executive Officer and Manager of Legal Department, Starzen Co., Ltd. (Resigned in Sep. 2014)  
Oct. 2014: Corporate Advisor, Norinchukin Research Institute Co., Ltd.  
Jun. 2015: Joined the Company as Audit & Supervisory Board Member (Current)



**Yoshiro Kuribayashi**

Director  
Senior Executive Officer  
Human Resources  
Corporate Ethics  
Deputy Chief Officer of Business Promotion Division (HOME ALSOK)

Apr. 1974: Joined the Company  
Apr. 2007: General Manager of Human Resources Department  
Apr. 2009: Executive Officer responsible for human resources  
Jun. 2011: Senior Executive Officer  
Oct. 2013: Deputy Chief Officer of Business Promotion Division (HOME ALSOK) (Current)  
Assumed responsibility for Human Resources and Corporate Ethics (Current)  
Jun. 2014: Director and Senior Executive Officer (Current)

**Hirohisa Hokari**

Director  
Senior Executive Officer  
General Affairs / Corporate Planning  
Deputy Chief Officer of Business Promotion Division  
Chief Officer of Financial Institutions Services / Compliance  
Risk Management / Information Assets Management / Investor Relations

Apr. 2010: Director-General of Operations Department at Bank of Japan (Resigned in Jun. 2011)  
Jun. 2011: Joined the Company as Executive Officer responsible for business planning and financial institution marketing and sales promotion and General Manager of Business Planning Department  
Feb. 2012: Senior Executive Officer and Deputy Chief Officer of Business Promotion Division (Current)  
Assumed responsibility for Business Planning & Management  
Apr. 2012: In charge of Financial Institution Services and Transportation Security Services  
Apr. 2014: In charge of General Affairs / Corporate Planning, Financial Institution Services, Compliance, Risk Management, and Information Asset Management (Current)  
Jun. 2014: Director and Senior Executive Officer (Current)

**Seiki Miyamoto**

Director (Outside Director)

Apr. 2000: Managing Director, Nippon Steel Corporation (Currently NIPPON STEEL & SUMITOMO METAL CORPORATION)  
Apr. 2003: Executive Vice President, Nippon Steel Corporation (Resigned in Jun. 2005)  
Jun. 2005: President and Representative Director, Nippon Steel Trading Co., Ltd. (Currently NIPPON STEEL & SUMIKIN BUSSAN CORPORATION) (Resigned in Jun. 2009)  
Jun. 2009: Director and Senior Advisor, Nippon Steel Trading Co., Ltd. (Resigned as Director in Jun. 2010 and as Senior Advisor in Jun. 2011)  
Jun. 2012: Joined the Company as Outside Director (Current)

**Yutaka Takehana**

Director (Outside Director)

Sep. 2001: Director, Hiroshima Prefectural Police Headquarters  
Jun. 2003: Vice Governor of Tokyo (Resigned in Jul. 2005)  
Aug. 2005: Director of Public Safety Department, National Police Agency (Resigned in Jan. 2007)  
Mar. 2007: Consultant, Matsushita Electric Industrial Co. Ltd. (Currently Panasonic Corporation)  
Oct. 2007: Member of Tokyo Metropolitan Board of Education (Current)  
Apr. 2008: Executive Officer, Matsushita Electric Industrial Co. Ltd. (Currently Panasonic Corporation)  
Apr. 2009: Managing Executive Officer, Panasonic Corporation (Resigned in Mar. 2013)  
Jun. 2013: President & CEO, Tokyo Big Sight Inc. (Current)  
Jun. 2015: Joined the Company as Outside Director (Current)

Major Concurrent Position  
Jun. 2013: President & CEO, Tokyo Big Sight Inc. (Current)

**Executive Officers****Hiraku Otani**

Senior Executive Officer  
Financial & Accounting  
International Affairs  
Procurement  
Internal Control  
Chief Officer of International Affairs

**Masahiro Kawaguchi**

Senior Executive Officer  
Chief Officer of R&D Planning Dept.

**Ikuji Kayaki**

Senior Executive Officer  
Chief Officer of Security Operations  
Structural Reform  
(Transportation Security Services)

**Tsuyoshi Murai**

Senior Executive Officer  
Deputy Chief Officer of Business Promotion Division  
Business Planning & Management  
Regional Financial Institution Services

**Shigeki Nomura**

Senior Executive Officer  
Deputy Chief Officer of Business Promotion Division (Central Japan)  
Chief Officer of Regional Division (III)

**Masashi Terao**

Senior Executive Officer  
Deputy Chief Officer of Business Promotion Division (Kansai)

**Eiji Kuwabara**

Executive Officer  
Marketing & Products Planning Dept.  
General Manager of Marketing & Products Planning Dept.

**Yukio Yonago**

Executive Officer  
Second in Charge of Strategic Business  
President of ALSOK Souei Co., Ltd.

**Toshiro Yoshioka**

Executive Officer  
Long-term Care  
President of HCM Corporation

**Masato Yagi**

Executive Officer  
Chief Officer of Regional Division (I)

**Shinichi Honjo**

Executive Officer  
Chief Officer of Regional Division (II)

**Shigeyoshi Kuroki**

Executive Officer  
Chief Officer of Regional Division (V)

# Management Indexes

Fiscal year ended March 31	2005	2006	2007	2008
<b>Profit and loss (Millions of yen)</b>				
Net sales	257,789	267,545	276,560	284,996
Cost of sales	192,405	199,144	203,080	212,287
Gross profit	65,383	68,400	73,479	72,709
Selling, general and administrative expenses	54,421	56,154	57,507	58,913
Operating income	10,962	12,246	15,972	13,795
Ordinary income	11,592	13,102	16,917	14,642
Net income	4,951	5,550	7,558	7,653
<b>Profitability</b>				
Gross profit margin (%)	25.4	25.6	26.6	25.5
Operating income margin (%)	4.3	4.6	5.8	4.8
Ordinary income margin (%)	4.5	4.9	6.1	5.1
Return on assets (ROA) (%)	4.2	4.6	6.0	5.0
Return on equity (ROE) (%)	4.1	4.4	5.7	5.6
EV/EBITDA (times) <sup>1</sup>	6.3	7.4	6.9	5.0
<b>Stability</b>				
Equity capital ratio (%)	43.6	45.7	47.2	46.2
Equity capital ratio on market-value basis (%)	55.0	67.5	77.2	47.4
Interest-bearing liabilities (millions of yen)	72,056	65,544	61,042	74,485
Interest coverage ratio (times) <sup>2</sup>	15.5	12.3	14.9	15.2
<b>Efficiency</b>				
Total asset turnover ratio (times)	0.9	0.9	1.0	1.0
Shareholders' equity turnover ratio (times)	2.1	2.1	2.1	2.1
Tangible fixed assets turnover ratio (times)	4.6	4.6	4.8	5.0
<b>Per share information</b>				
Net assets per share (yen)	1,222.93	1,274.27	1,322.82	1,356.35
Net income per share (yen)	47.54	52.91	74.71	75.07
Price-book value ratio (times)	1.3	1.5	1.6	1.0
Price earnings ratio (times)	32.5	35.7	28.9	18.5
Dividends per share (yen)	17	17	20	20
Consolidated dividend payout ratio (%)	35.8	32.1	26.8	26.6
Closing stock price	1,543	1,887	2,160	1,390
<b>Other information</b>				
Number of employees (consolidated)	24,185	24,703	25,302	26,014
Average number of years of continuous service (non-consolidated)	10.9	11.3	11.6	11.8
Percentage of employees returning to work after childcare leave (non-consolidated, total for male and female employees)	—	—	—	—
CO <sub>2</sub> emissions volume (non-consolidated, t-CO <sub>2</sub> )	—	—	—	—

1. Method of calculation for EV/EBITDA is as follows:

EV (Enterprise value) = Market capitalization + Interest-bearing liabilities – Short-term liquidity (Cash and deposits + Short-term investments in securities)

EBITDA (Earnings before interest, tax, depreciation and amortization) = Operating income + Depreciation and amortization

2. Due to changes in the method of calculation, interest coverage ratios for the fiscal year ended March 31, 2006, and earlier are calculated differently from those in subsequent fiscal years.

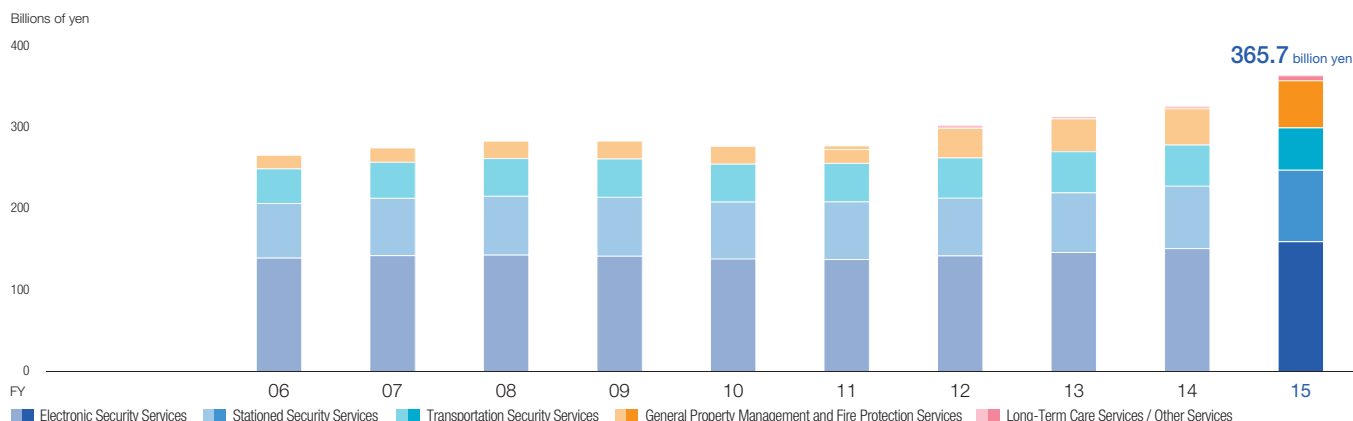
2009	2010	2011	2012	2013	2014	2015
285,004	278,579	279,272	304,723	315,564	328,209	365,749
215,711	210,097	209,364	232,812	242,410	248,900	276,116
69,292	68,482	69,908	71,910	73,153	79,308	89,632
59,349	59,211	59,555	61,100	61,363	60,375	66,660
9,943	9,270	10,352	10,810	11,790	18,932	22,971
10,630	10,819	11,765	12,558	14,741	20,745	24,700
4,224	4,563	4,706	3,903	8,574	10,955	13,534
24.3	24.6	25.0	23.6	23.2	24.2	24.5
3.5	3.3	3.7	3.5	3.7	5.8	6.3
3.7	3.9	4.2	4.1	4.7	6.3	6.8
3.6	3.8	4.2	4.4	5.1	6.5	6.9
3.1	3.3	3.3	2.7	5.7	7.0	7.8
3.0	2.3	1.4	1.4	3.0	5.3	10.1
47.7	50.9	50.3	51.3	52.1	46.2	48.4
29.5	39.4	32.0	34.8	46.5	63.5	110.1
66,247	51,318	49,311	39,270	37,455	71,666	73,698
20.7	24.0	20.1	34.1	36.9	36.4	28.5
1.0	1.0	1.0	1.1	1.1	1.0	1.0
2.1	2.0	2.0	2.1	2.1	2.1	2.2
5.0	4.9	4.9	5.2	5.4	5.2	5.4
1,364.33	1,397.90	1,421.67	1,446.93	1,536.30	1,574.74	1,800.15
41.90	45.39	46.82	38.83	85.30	108.99	134.65
0.6	0.8	0.6	0.7	0.9	1.4	2.3
20.2	23.9	19.3	25.3	16.1	19.9	30.4
20	20	20	20	25	30	38
47.7	44.1	42.7	51.5	29.3	27.5	28.2
845	1,083	905	982	1,373	2,164	4,095
26,960	27,322	27,790	27,868	28,054	28,091	31,221
11.9	12.3	12.7	13.3	13.8	14.4	14.9
—	92.2	90.2	93.3	97.6	92.4	96.6
—	40,871	39,968	38,022	38,587	41,377	39,212

# Breakdown of Sales / Number of Contracts

## Net Sales by Service Type

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Security Services										
Electronic Security Services	140.2	143.2	143.9	142.5	138.9	138.4	142.9	147.1	151.8	160.4
Stationed Security Services	67.5	70.9	72.7	72.8	70.6	71.3	71.3	73.8	77.2	88.4
Transportation Security Services	42.8	44.5	46.6	47.4	46.8	47.6	49.8	50.8	51.0	52.3
General Property Management and Fire Protection Services <sup>1</sup>	—	—	—	—	—	17.0	36.6	40.6	44.8	58.3
Long-Term Care Services / Other Services	16.8	17.8	21.6	22.2	22.1	4.7	4.0	3.0	3.2	6.2
<b>Total</b>	<b>267.5</b>	<b>276.5</b>	<b>284.9</b>	<b>285.0</b>	<b>278.5</b>	<b>279.2</b>	<b>304.7</b>	<b>315.5</b>	<b>328.2</b>	<b>365.7</b>

1. General Property Management and Fire Protection Services was converted to a reportable segment in the fiscal year ended March 31, 2012, and accordingly net sales amounts for this segment are displayed separately from the fiscal year ended March 31, 2011, and onward. Net sales amounts for fiscal years ended March 31, 2010, and prior are included under "Long-Term Care Services / Other Services."

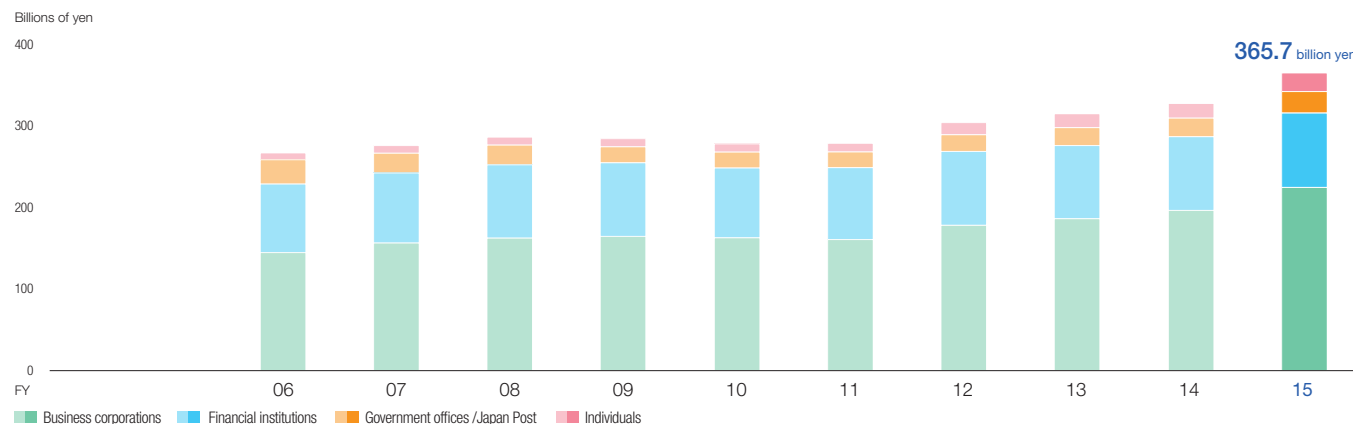


## Net Sales by Client Type

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business corporations <sup>2</sup>	144.9	156.7	162.7	164.8	163.1	160.9	178.4	186.5	196.7	224.9
Financial institutions <sup>2</sup>	84.2	86.0	90.0	90.4	85.7	88.3	90.7	89.8	90.5	91.3
Government offices /Japan Post <sup>2</sup>	29.8	24.2	22.4	19.6	19.5	19.3	20.5	22.0	22.8	26.4
Individuals <sup>3</sup>	8.4	9.4	9.8	10.0	10.1	10.6	14.9	17.1	18.0	22.9
<b>Total</b>	<b>267.5</b>	<b>276.5</b>	<b>284.9</b>	<b>285.0</b>	<b>278.5</b>	<b>279.2</b>	<b>304.7</b>	<b>315.5</b>	<b>328.2</b>	<b>365.7</b>

2. In conjunction with the conversion of Japan Post to a privately operated company in October 2007, sales to Japan Post Co., Ltd., have been transferred from "Government offices / Japan Post" to "Business corporations" and sales to Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., have been transferred to "Financial institutions." Sales to subsidiaries of financial institutions were previously included under "Business corporations" but have since been transferred to "Financial institutions."

3. Sales of HOME ALSOK APARTMENT AND CONDOMINIUM PLAN and HOME ALSOK MIMAMORI SUPPORT have been included under "Individuals," even for contracts in which the customer is a business corporation or government office.





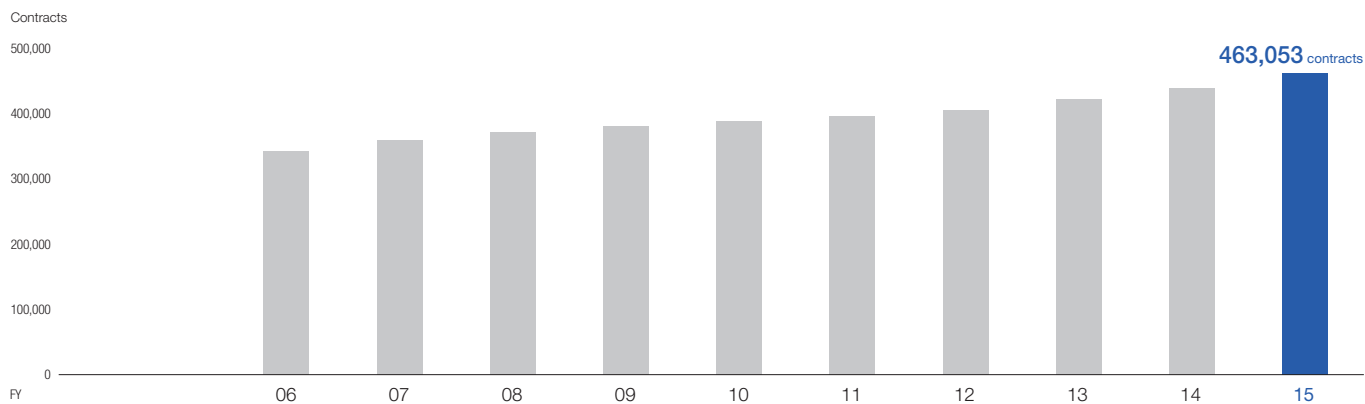
## Number of Contracts

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Security Services</b>										
Electronic Security Services	432,852	462,913	487,228	507,954	524,708	541,654	580,263	630,977	677,672	803,601
Corporate Clients	343,292	359,344	372,196	381,759	388,853	396,580	406,261	422,676	440,028	463,053
Individual Users	89,560	103,569	115,032	126,195	135,855	145,074	174,002	208,301	237,644	340,548 <sup>5</sup>
Stationed Security Services	2,726	2,843	2,922	2,854	2,785	2,866	2,934	3,020	3,227	3,597
Transportation Security Services	29,519	32,980	33,397	33,960	35,963	39,065	48,284	51,698	55,420	59,134
General Property Management and Fire Protection Services <sup>4</sup>	—	—	—	—	—	44,212	47,913	54,903	63,004	73,898
Long-Term Care Services / Other Services	54,505	57,425	56,099	43,171	42,909	8,307	8,957	11,989	13,725	22,477
<b>Total</b>	<b>519,602</b>	<b>556,161</b>	<b>579,646</b>	<b>587,939</b>	<b>606,365</b>	<b>636,104</b>	<b>688,351</b>	<b>752,587</b>	<b>813,048</b>	<b>962,707</b>

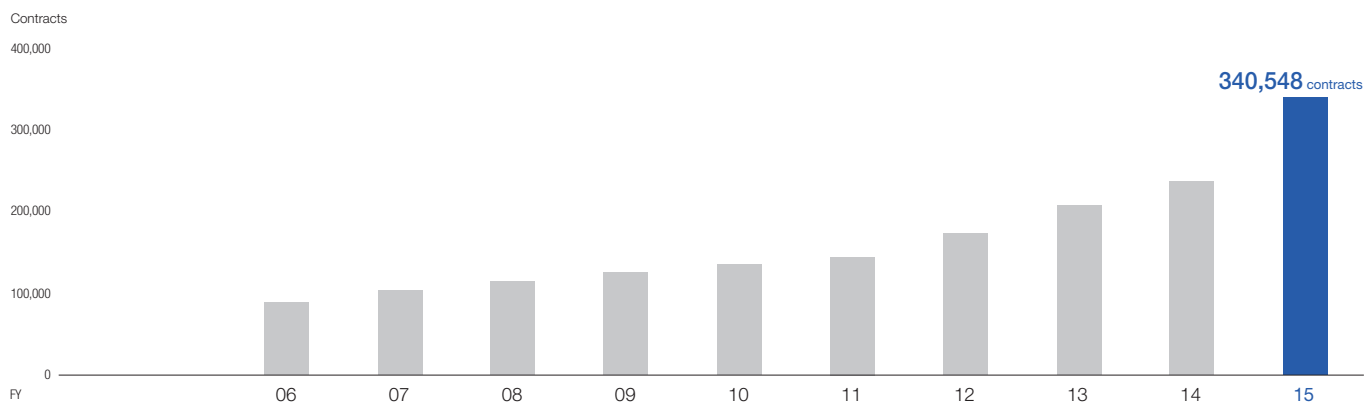
4. General Property Management and Fire Protection Services was converted to a reportable segment in the fiscal year ended March 31, 2012, and accordingly the number of contracts for this segment is displayed separately from the fiscal year ended March 31, 2011, and onward. The number of contracts for fiscal years ended March 31, 2010, and prior is included under "Long-Term Care Services / Other Services."

5. If contracts for individual households in housing complexes are included, this figure would be approximately 830,000.

### Number of Contracts for Corporate Clients



### Number of Contracts for Individual Users



# Management's Discussion and Analysis

## Analysis of Business Performance

### ■ Operating Environment

Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (April 1, 2014 – March 31, 2015) In the year under review, in Japan, certain sectors of the economy were weak due to the impacts of the consumption tax hike on consumer spending as well as the effects of natural disasters. However, a modest recovery trend was seen centered on the corporate sector as a result of improvements in corporate performance, the job market, and personal income. Overseas, the overall trend was that of recovery, but there remains a need to carefully monitor the impacts of political conditions in the United States and deteriorating public safety in principal Middle Eastern countries.

In regard to public safety in Japan, there seems to be no end to the occurrence of crimes targeting women and children, scams aimed at senior citizens, and issues involving confidential information. At the same time, there is a pressing need to prepare for natural disasters. For these reasons, the safety and security needs of society are growing more diverse.

### ■ Operating Results

In this environment, the ALSOK Group continued working to strengthen its mainstay security services operations while also expanding businesses in peripheral fields that are highly compatible with security services, such as nursing care and building maintenance. At the same time, we pursued cost reductions by consolidating functions in back-office and operating divisions.

Due to the above factors, net sales rose 11.4% year on year, to ¥365,749 million; operating income was up 21.3%, to ¥22,971 million; ordinary income was up 19.1%, to ¥24,700 million; and net income increased 23.5%, to ¥13,534 million.

## Sales by Business Segment

### ■ Security Services

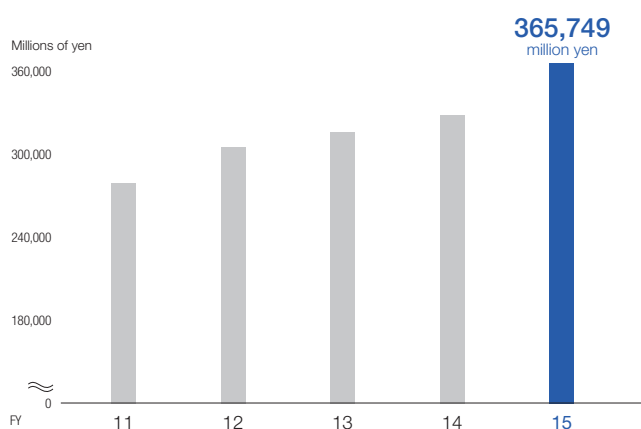
#### Electronic Security Services

In services for corporate clients, the Company worked to promote sales of ALSOK-GV (read as "ALSOK G-five"), a service that combines Internet-based security services utilizing image monitoring with ALSOK Information Service, which allows for information regarding when employees arrive at or leave the premises to be viewed online while also providing Internet-based remote control functionality for equipment. Furthermore, in May 2014, we added ALSOK-FM SUPPORT to our lineup. This product features enhanced facility management functions for medium- to large-scale facilities and thereby enables facility value to be boosted for only a small cost. Sales of ALSOK-FM SUPPORT were aggressively promoted throughout the year.

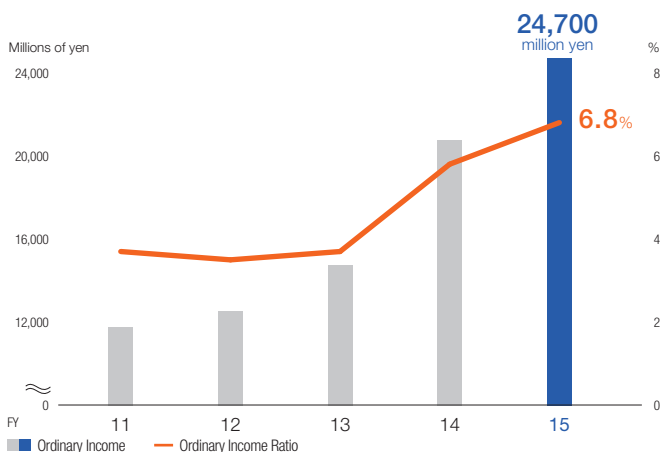
In services for individual users, we witnessed an increase in orders for the HOME ALSOK APARTMENT AND CONDOMINIUM PLAN, a service for housing complexes, as well as for HOME ALSOK MIMAMORI SUPPORT, an emergency report and consultation service for senior citizens. HOME ALSOK ALBO eye, which was launched in September 2014, performed favorably as well. At the same time, we continued to reinforce alliances with housing developers and real estate companies while also strengthening ties with financial institutions and insurance companies to promote sales of HOME ALSOK PREMIUM, a service for standard households.

As a result, net sales in the Electronic Security Services segment rose 5.6% year on year, to ¥160,409 million, due in part to the sales increases stemming from the consolidation of ALSOK Souei Co., Ltd., and ALSOK Care & Support Co., Ltd.

### Net Sales



### Ordinary Income / Ordinary Income Ratio



### Stationed Security Services

In the year under review, we made smooth progress in acquiring new orders, and there was an increase in orders for temporary, large-scale stationed security operations. Accordingly, net sales in the Stationed Security Services segment increased 14.4% year on year, to ¥88,429 million.

### Transportation Security Services

In the year under review, we saw favorable performance for the Cash Deposit Machine On-line System, which utilizes the Company's Internet-based information management functions as well as its transportation security network to provide comprehensive support for managing the sales revenues and change of distributors and retailers. In addition, contracts increased for the Total ATM Management System, a total operation and management support system for ATMs installed in financial institutions and convenience stores. Due to these factors, net sales in the Transportation Security Services segment increased 2.5% year on year, to ¥52,328 million.

### General Property Management and Fire Protection Services

In the year under review, the benefits of the consolidation of ALSOK Souei Co., Ltd., and Nippon Building Maintenance Co., Ltd., appeared in the form of sales increases. At the same time, we strengthened our system for providing a one-stop response to customer needs related to the maintenance, management, and operation of buildings, condominiums, and other facilities. As a result, net sales in the General Property Management and Fire Protection Services segment increased 30.1% year on year, to ¥58,309 million.

### Long-Term Care Services / Other Services

The Company views services for senior citizens as representing an important business field and has therefore been developing operations in the area since 2013. In the year under review, HCM Corporation and ALSOK Care & Support Co., Ltd., were consolidated into the Group. As a result, net sales in the Long-Term Care Services / Other Services segment amounted to ¥6,273 million, representing a massive increase from the performance of the former Other Services segment in the fiscal year ended March 31, 2014.

Going forward, the Group will fully leverage its management resources to develop its conventional nursing care service operations while also creating new hybrid services by fusing security services and nursing care.

### Analysis of Individual Items

In the year under review, net sales increased ¥37,540 million year on year, to ¥365,749 million.

Cost of sales was ¥276,116 million, primarily due to a ¥4,119 million increase in cost of sales from procurement of products and installation of equipment and a ¥13,264 million increase in labor costs.

Selling, general and administrative expenses were ¥66,660 million, due to a ¥4,050 million increase in salaries and allowances.

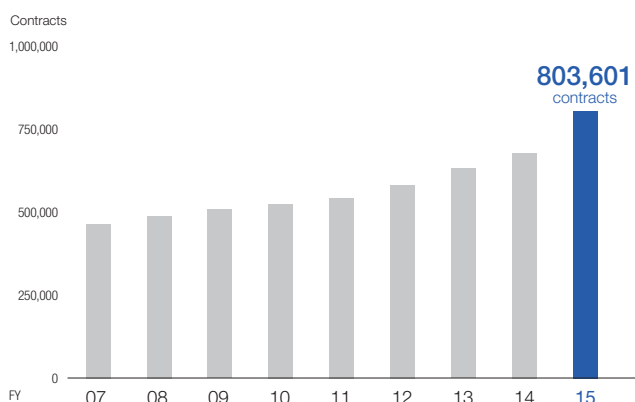
Ordinary income rose ¥3,955 million, or 19.1%, to ¥24,700 million.

Extraordinary income was down due to a ¥110 million decrease in compensation income and a ¥106 million decrease in gain on sales of investment securities.

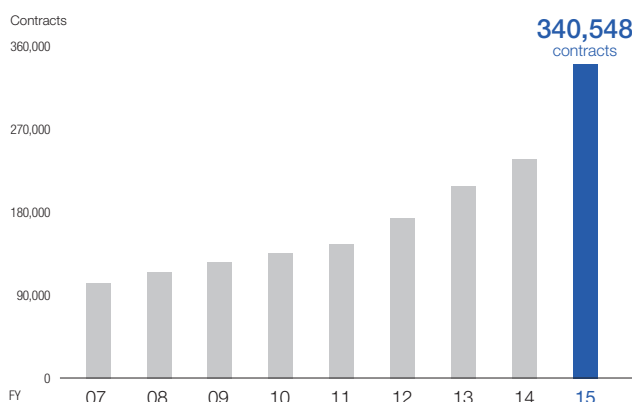
Extraordinary loss declined as a result of the absence of ¥66 million decrease in loss on retirement of noncurrent assets.

Net income increased ¥2,579 million, or 23.5%, to ¥13,534 million.

### Number of Electronic Security Services Contracts



### Number of Contracts for Individual Users



### Forecast for the Fiscal Year Ending March 31, 2016

In the fiscal year ending March 31, 2016, there will be some concern with regard to the opaque nature of conditions overseas, but Japan will continue to see improvements in corporate performance, the job market, and personal income, and these improvements are anticipated to create a pronounced virtuous cycle in the domestic economy.

In the security services industry, traditional security needs will remain present. At the same time, we expect to see expanding business opportunities resulting from the accelerated development of social infrastructure as part of national resilience improvement plans, post-Great East Japan Earthquake reconstruction efforts, and preparations for large-scale events. However, intensified competition is forecast to create a harsh operating environment for the security services industry during the fiscal year ending March 31, 2016. Success under these difficult conditions will require that we promote the further differentiation of our products and services.

ALSOK has always been a company that protects the bodies, lives, and assets of its customers, and it has continued to build upon its security services, track record since its establishment. In addition to growing its security services operations, the entire Group will actively develop businesses in peripheral fields going forward as it creates products and services that live up to customer expectations and improves its business performance.

In the fiscal year ending March 31, 2016, the ALSOK Group forecasts net sales of ¥405,000 million, up 10.7% year on year; operating income of ¥29,400 million, up 28.0%; ordinary income of ¥31,000 million, up 25.5%; and net income attributable to owners of the parent of ¥17,000 million, up 25.6%. These results will be achieved through the implementation of initiatives such as those described above.

### Financial Position

#### Assets

Total assets at the end of the year under review increased ¥31,368 million, or 9.2%, from the previous fiscal year-end, to ¥373,863 million. Total current assets increased ¥10,986 million, or 5.5%, to ¥210,445 million, and total noncurrent assets increased ¥20,381 million, or 14.2%, to ¥163,418 million.

The ¥10,986 million increase in current assets was primarily due to a ¥7,964 million increase in notes and accounts receivable-trade, a ¥2,951 million increase in cash and deposits, and a ¥1,121 million increase in lease receivables and investment assets, which offset a ¥1,819 million decrease in cash for Transportation Security Services.

The ¥20,381 million increase in noncurrent assets was mainly attributable to a ¥10,402 million increase in goodwill, a ¥9,463 million increase in net defined benefit asset, and a ¥4,162 million increase in investment securities.

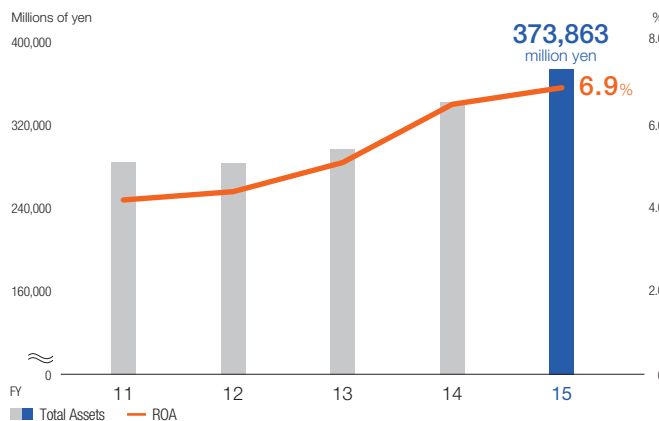
#### Liabilities

Total liabilities at the end of the year under review increased ¥7,209 million, or 4.4%, from the previous fiscal year-end, to ¥169,500 million. Total current liabilities increased ¥16,142 million, or 14.1%, to ¥130,464 million, and total noncurrent liabilities decreased ¥8,932 million, or 18.6%, to ¥39,035 million.

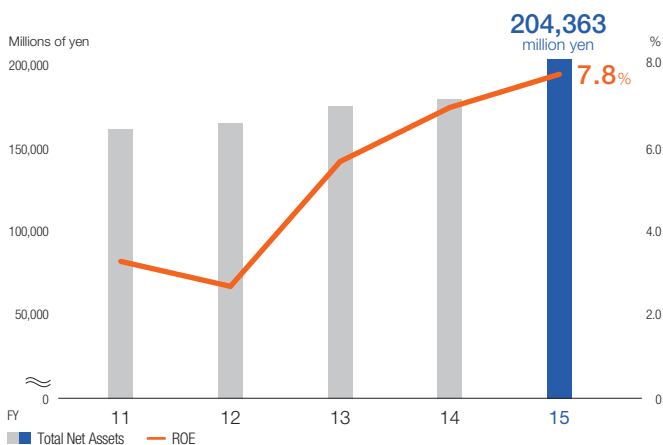
The ¥16,142 million increase in current liabilities was a result of factors such as a ¥6,864 million increase in accrued consumption taxes, a ¥3,065 million increase in short-term loans payable, and a ¥2,876 million increase in notes and accounts payable-trade.

The ¥8,932 million decrease in noncurrent liabilities was due to a ¥8,069 million decrease in net defined benefit liability and a ¥2,068 million decrease in long-term loans payable.

#### Total Assets / ROA



#### Total Net Assets / ROE





### ■ Net Assets

Total net assets at March 31, 2015, were up ¥24,158 million, or 13.4%, from the previous fiscal year-end, to ¥204,363 million.

### ■ Cash and Cash Equivalents

The balance of cash and cash equivalents (hereafter referred to as “cash”) at March 31, 2015, was ¥35,791 million, down from ¥40,541 million at March 31, 2014. This decrease was because net cash provided by operating activities was ¥19,666 million, net cash used in investing activities was ¥24,295 million, and net cash provided by financing activities was ¥6,596 million.

#### Cash flows from operating activities

As a result of our operating activities in the year under review, net cash provided by operating activities decreased 6.6% year on year, to ¥19,666 million. Principal items increasing cash included ¥24,653 million in income before income taxes, an increase of 17.9% year on year; ¥11,331 million in depreciation and amortization, an increase of 23.2%; and ¥2,676 million in increase in notes and accounts payable–trade, an increase of 48.6%. Conversely, major items decreasing cash included ¥11,624 million in increase in assets and liabilities for Transportation Security Services, compared with ¥2,329 million in decrease in assets and liabilities for Transportation Security Services in the previous fiscal year; ¥8,573 million in income taxes paid, a year-on-year increase of 8.5%; and ¥5,391 million in increase in notes and accounts receivable–trade, a year-on-year increase of 13.6%.

Increase (decrease) in assets and liabilities for Transportation Security Services includes the increases and decreases in funds procured for transportation security services that are included in cash for Transportation Security Services and short-term loans payable.

#### Cash flows from investing activities

Net cash used in investing activities in the year under review was ¥24,295 million, a 45.5% year-on-year increase. The primary factors were ¥12,153 million in purchase of property, plant and equipment, down 20.2% from the previous fiscal year, and ¥11,435 million in purchase of shares of subsidiaries resulting in change in scope of consolidation.

#### Cash flows from financing activities

Net cash provided by financing activities was ¥6,596 million, compared with net cash used in financing activities of ¥9,142 million in the previous fiscal year. Principal items increasing cash included ¥15,802 million in net increase in short-term loans payable, compared with ¥439 million in net decrease in short-term loans payable in the previous fiscal year. Conversely, major items decreasing cash included ¥3,518 million in cash dividends paid, an increase of 32.1%; ¥3,447 million in repayment of long-term loans payable, an increase of 1.8%; and ¥2,700 million in repayments of lease obligations, a decrease of 3.3%.

### ■ Dividend Policies

The ALSOK Group considers the return of earnings to shareholders to be a top management priority, and its basic policy is to distribute profits to shareholders based on its operating results while fortifying internal reserves. The Group uses internal reserves for investments in R&D required for future growth and development, qualitative upgrades to information systems, and capital investment for new businesses as it works to improve corporate value.

Also, it is the policy of the ALSOK Group to issue dividends from retained earnings twice a year as interim and year-end dividends. The year-end dividend is decided at the General Shareholders’ Meeting, while the interim dividend is decided by the Board of Directors.

As the Company celebrated the 50th anniversary of its founding on July 16, 2015, we have decided to issue a special dividend of ¥3.0 per share to commemorate this momentous occasion and show our appreciation for the support of shareholders. Combined with the standard dividend of ¥17.5 per share, this will make for a total year-end dividend of ¥20.5 per share.

Accordingly, for the fiscal year ended March 31, 2015, in consideration of results in the year under review, results forecasts for the current fiscal year, and capital investment plans, the Company paid an annual dividend of ¥38.0 per share, including an interim dividend of ¥17.5 per share, for a consolidated payout ratio of 23.9%.

### Risk Information

In relation to the ALSOK Group’s business and accounting circumstances, the following items could potentially have significant effects on the judgment of investors. Future-related information mentioned below was deemed appropriate by the Group as of June 25, 2015, the date on which the 50th Securities Report was filed.

#### 1. Sales Depending on a Specific Business Sector

Sales from the financial institutions sector accounted for over 20% of the Group’s total sales in the year ended March 31, 2015. Consequently, trends in the economic environment surrounding financial institutions, including the possible cancellations of existing security service contracts due to the elimination or consolidation of branch locations, could have a considerable effect on the Group’s operating performance. Therefore, the Group will continue to aggressively advance sales promotions in other business sectors in order to find new clients as well as maintain and develop firm relationship with existing clients in the financial institutions sector.

#### 2. Electronic Security Services Business

Of the Group’s total sales, 43.9% are dependent on the Electronic Security Services business. The effective operation of the Electronic Security Services business requires continuous capital investment for structuring and maintaining operational infrastructures such as the preparation of Guard Centers and depots, vehicles for Electronic Security Services and communication systems, as well as personnel expenses for Guard Center staff and security staff. Should the

Group fail to enter into a certain volume of Electronic Security Services contracts due to any of a wide range of factors associated with the Group's Electronic Security Services business, the Group's operating performance could be affected. Therefore, we have tried to diversify our business so that we can minimize business risks.

### 3. Cash for Transportation Security Services

The Group uses its own funds or funds financed through overdrafts as cash to be used in the CD machines installed by the subsidiaries of financial institutions in their business partners' stores and offices or cash used to deposit advances for Cash Deposit Machine On-line System contracts. For this reason, should there be an increase in interest rates associated with cash procured for these purposes, the Group's operational performance could be adversely affected. Consequently, the Group must renegotiate the pricing conditions defined in contracts between the Group and its clients. Further, the Company has subscribed to cash securities transport insurance to cover any damage or loss that may occur during the transportation or storage of such cash.

### 4. Dependency on a Specific Equipment Supplier

The Group mostly depends on companies such as NEC Corporation for development and provision of the center equipment installed in the Guard Centers. Should any difficulty arise in the provision of such center equipment due to natural disasters or other reasons, the normal operation of the Guard Centers could be affected. As for provision involving the center equipment as well as main equipment used for offering Electronic Security Services, the Group enters into a master agreement for commodity purchases to provide for anticipated quantities of items. Furthermore, the Group holds certain levels of spare items for maintenance to allow for emergencies.

### 5. Adaptation to Changes in the Technological Environment

The development of security-related equipment and the adoption of state-of-the-art IT technologies are indispensable to the Group's adequate provision of security services, since it must deal with "increasingly complicated and heinous crimes," "expansion in crime fields, such as the increase of cyberattacks, etc.," "obsolescence of existing facilities due to the sophistication of information communication infrastructures," and "advance in a wide range of operations applying IT technology." Should our adaption to technological progress fall behind the changes in the technological environment, the Group's operating performance could be negatively affected. Therefore, the ALSOK Group continues to make efforts in the development of security-related equipment and advanced IT technologies principally in the R&D Department of the Group. At the same time, we work to avoid risk by staying abreast of the latest technology trends in communications, devices, and other technologies.

### 6. Management of Client Information

In order to conclude a security service contract with clients, the Group obtains a significant amount of information about them including their names, addresses, and phone numbers of related parties as well as various information about the clients' premises where security services are to be provided, and utilizes that essential information for the execution of security services and business activities. If any problem, whether inevitable or not, should arise, the Group may suffer from an unfavorable reputation and legal claim for damages. We, therefore, have managed client information properly through employee education and careful observation of subcontractors. These measures enable us to avoid leaking, losing, and deleting personal information. As a further precaution, the ALSOK Group has "Leakage of Personal Information Insurance," which covers all Group companies.

### 7. Ensuring Human Resources

In recent years, Japanese society has been rapidly super aging due to a combination of extended average life expectancy and a plunge in the birthrate. Although it can be anticipated that these trends will lead to a rise in the need for ALSOK's security services, it could become more difficult to recruit younger workers in this labor-intensive industry. We established a recruitment association in our aim to strengthen our cooperative structure in recruitment for Group companies. Furthermore, we established a new company that re-employs experienced retired workers for the purpose of securing a high-quality labor force. In addition, formulation a plan for a more efficient operational structure is in progress through the introduction of security services and security robots that utilize ICT.

### 8. Legal Restrictions

In order to provide clients with various security and other services, the Group is subject to a variety of legal restrictions, including the major ones stated in the table below. Should any of these legal restrictions be amended or abolished, or any new legal provisions established, the Group's operating performance could be affected.

### 9. Measures in Relation to Natural and Other Disasters

In the event an unprecedented natural disaster were to occur, normal signal transmission/reception to and from clients would become unavailable, causing serious difficulties such as the suspension of our security services. In such cases, the resulting claims for damages and the decline in public trust of the Group could affect the operating performance and future business development of the Group. In addition, the Group may be compelled to pay substantial expenses to recover damaged Guard Centers and other facilities. The Group has made backups for the Guard Centers through the Support Center to prepare for damage caused by a natural disaster as a business continuity plan (BCP) of its security system. Moreover, the Group has established system servers, which receive a security alarm signal throughout Japan, in two

Network Centers and has made a backup system according to priority. Preparing for a major wide-area natural disaster, the Group will reduce risk by taking measures for each stage.

#### 10. Risk of Massive Disasters

Should a major earthquake occur, or there be wind or flood damage, and should long-term power failure occur following such a disaster, the Group's networks or other operational infrastructure could stop functioning, which may disrupt its ability to provide security and other services. Moreover, such disasters could damage the Group's assets, such as security equipment located on clients' premises, forcing the Group to repair or replace those assets. The Group's operating performance or financial position could be adversely affected. Therefore, the Group has developed a number of precautionary measures based on its wealth of

security-related experience and expertise. It has formulated disaster response rules in accordance with disaster response regulations, established a business continuity plan and other response manuals, stockpiled necessary disaster prevention items, and developed a flexible nationwide response network. It also conducts periodic disaster prevention training and education and other precautionary measures. As an approach to prevent the suspension of ATMs if at all possible in the event of a natural disaster, we obtained ISO 22301 certification in March 20, 2014. This represents the nation's first acquisition of this certification for Transportation Security Services that fill ALSOK-managed ATMs with cash as well as security services that target ATM troubleshooting operations. Hereafter, the Group will enhance the structure and contribute to the preservation of the social infrastructure.

Major Operation	Relevant Laws	Competent Authorities, Etc.
Electronic Security Services Stationed Security Services Transportation Security Services	Security Business Law / Road Traffic Law	National Public Safety Commission
	Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors	Japan Fair Trade Commission, Small and Medium Enterprise Agency
	Telecommunications Business Law / Radio Law	Ministry of Internal Affairs and Communications
Electronic Security Services General Property Management and Fire Protection Services	Construction Business Act	Ministry of Land, Infrastructure, Transport and Tourism
	Act on Ensuring Fair Electric Business Practices	Ministry of Economy, Trade and Industry
Electronic Security Services	Electrical Appliance and Material Safety Act	Ministry of Economy, Trade and Industry
	The Specified Commercial Transaction Act	Ministry of Economy, Trade and Industry / Consumer Affairs Agency
	Consumer Contract Act	Consumer Affairs Agency
Transportation Security Services and Other Services	Truck Transport Business Law / Freight Forwarding Business Law / Road Trucking Vehicle Law	Ministry of Land, Infrastructure, Transport and Tourism
Transportation Security Services	Warehousing Business Law	Ministry of Land, Infrastructure, Transport and Tourism
Stationed Security Services	Act on Penal Detention Facilities and Treatment of Inmates and Detainees	Ministry of Justice
	Act on Special Districts for Structural Reform	Cabinet Office
General Property Management and Fire Protection Services	Fire and Disaster Management Act	Ministry of Internal Affairs and Communications
	Fire Prevention Ordinance	Each municipality
	Pharmaceutical and Medical Device Act / Act on Maintenance of Sanitation in Buildings	Ministry of Health, Labour and Welfare
	Waste Disposal Act	Ministry of the Environment
	Building Lots and Buildings Transaction Business Law / Architect Act / Act on Advancement of Proper Condominium Management	Ministry of Land, Infrastructure, Transport and Tourism
Other Services	Electricity Business Act / Law Concerning the Securing of Safety and the Optimization of Transaction of Liquefied Petroleum Gas	Ministry of Economy, Trade and Industry
	Correspondence Delivery Act	Ministry of Internal Affairs and Communications
	Worker Dispatching Act / Employment Security Act	Ministry of Health, Labour and Welfare
	Long-Term Care Insurance Act	Ministry of Health, Labour and Welfare / Each prefecture / Each municipality
	Insurance Business Law / Financial Instruments and Exchange Act / Act on Prevention of Transfer of Criminal Proceeds	Financial Services Agency
	Law About the Adequacy of Duties of the Detective Business	National Public Safety Commission
	Personal Information Protection Law	Consumer Affairs Agency / Ministry of Economy, Trade and Industry / National Public Safety Commission
	Act on Special Measures to Prevent and Correct Shift for Consumption Tax	Japan Fair Trade Commission / Small and Medium Enterprise Agency / Consumer Affairs Agency / National Public Safety Commission
	Act Against Unjustifiable Premiums and Misleading Representations	Consumer Affairs Agency

# Consolidated Balance Sheets

	Millions of yen	
As of March 31, 2015 and 2014	2014	2015
<b>Assets</b>		
Current assets		
Cash and deposits	43,161	46,113
Cash for Transportation Security Services	98,579	96,760
Notes and accounts receivable–trade	36,055	44,020
Lease receivables and investment assets	1,986	3,108
Short-term investment securities	415	861
Raw materials and supplies	4,380	4,759
Costs on uncompleted construction contracts	343	393
Advances paid	6,370	6,301
Deferred tax assets	1,842	1,868
Other	6,534	6,502
Allowance for doubtful accounts	(211)	(243)
Total current assets	199,458	210,445
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	42,165	42,599
Accumulated depreciation	(22,982)	(23,758)
Buildings and structures, net	19,183	18,840
Machinery, equipment and vehicles	119,885	124,784
Accumulated depreciation	(104,169)	(106,286)
Machinery, equipment and vehicles, net	15,716	18,498
Land	22,933	23,219
Lease assets	11,092	11,063
Accumulated depreciation	(5,529)	(6,126)
Lease assets, net	5,562	4,937
Construction in progress	1,410	2,712
Other	12,882	13,310
Accumulated depreciation	(9,462)	(9,814)
Other, net	3,419	3,495
Total property, plant and equipment	68,225	71,704
Intangible assets		
Software	3,681	4,192
Goodwill	769	11,172
Other	1,699	1,489
Total intangible assets	6,151	16,853
Investments and other assets		
Investment securities	34,466	38,629
Long-term loans receivable	456	395
Lease and guarantee deposits	7,798	8,039
Insurance funds	2,004	2,053
Net defined benefit asset	50	9,514
Deferred tax assets	12,638	5,587
Other	12,097	11,192
Allowance for doubtful accounts	(853)	(552)
Total investments and other assets	68,659	74,859
Total noncurrent assets	143,036	163,418
Total assets	342,495	373,863



Millions of yen

As of March 31, 2015 and 2014	2014	2015
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	21,069	23,946
Short-term loans payable	56,472	59,538
Current portion of long-term loans payable	3,165	3,459
Current portion of bonds	10	64
Accounts payable–other	13,672	15,680
Lease obligations	2,506	2,775
Income taxes payable	4,203	4,232
Accrued consumption taxes	1,680	8,544
Provision for bonuses	1,072	1,460
Provision for directors' bonuses	238	186
Deferred tax liabilities	0	0
Other	10,230	10,576
Total current liabilities	114,322	130,464
Noncurrent liabilities		
Bonds payable	20	115
Long-term loans payable	3,983	1,915
Lease obligations	5,510	5,832
Deferred tax liabilities	33	615
Deferred tax liabilities for land revaluation	366	332
Net defined benefit liability	33,554	25,484
Provision for directors' retirement benefits	1,696	1,725
Asset retirement obligations	67	68
Negative goodwill	60	—
Other	2,674	2,946
Total noncurrent liabilities	47,968	39,035
Total liabilities	162,290	169,500
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	114,961	130,753
Treasury stock	(1,988)	(1,989)
Total shareholders' equity	163,766	179,557
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,969	8,235
Revaluation reserve for land	(5,343)	(5,293)
Foreign currency translation adjustment	46	173
Remeasurements of defined benefit plans	(6,148)	(1,725)
Total valuation and translation adjustments	(5,475)	1,389
Minority interests	21,914	23,415
Total net assets	180,205	204,363
Total liabilities and net assets	342,495	373,863

# Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

## Consolidated Statements of Income

	Millions of yen	
Fiscal years ended March 31, 2015 and 2014	2014	2015
<b>Net sales</b>	328,209	365,749
<b>Cost of sales</b>	248,900	276,116
<b>Gross profit</b>	79,308	89,632
<b>Selling, general and administrative expenses</b>	60,375	66,660
<b>Operating income</b>	18,932	22,971
<b>Non-operating income</b>		
Interest income	250	249
Dividends income	512	548
Gain on sales of investment securities	123	159
Rent income	243	247
Gain from insurance claim	114	89
Equity in earnings of affiliates	517	641
Amortization of negative goodwill	80	60
Penalty income	336	268
Other	945	952
<b>Total non-operating income</b>	3,124	3,217
<b>Non-operating expenses</b>		
Interest expenses	578	689
Loss on sales of investment securities	7	0
Loss on retirement of noncurrent assets	151	228
Financing expenses	258	290
Other	314	279
<b>Total non-operating expenses</b>	1,311	1,488
<b>Ordinary income</b>	20,745	24,700
<b>Extraordinary income</b>		
Gain on sales of investment securities	108	2
Compensation income	124	13
Gain on reversal of asset retirement obligations	25	—
<b>Total extraordinary income</b>	258	16
<b>Extraordinary loss</b>		
Loss on valuation of investment securities	23	49
Loss on retirement of noncurrent assets	66	—
Impairment loss	2	0
Loss on extinguishment of tie-in shares	—	13
<b>Total extraordinary loss</b>	92	63
<b>Income before income taxes</b>	20,911	24,653
<b>Income taxes—current</b>	8,372	8,653
<b>Income taxes—deferred</b>	481	1,127
<b>Total income taxes</b>	8,853	9,780
<b>Income before minority interests</b>	12,057	14,872
<b>Minority interests in income</b>	1,102	1,337
<b>Net income</b>	10,955	13,534

## Consolidated Statements of Comprehensive Income

	Millions of yen	
Fiscal years ended March 31, 2015 and 2014	2014	2015
<b>Income before minority interests</b>	12,057	14,872
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,761	2,413
Revaluation reserve for land	—	33
Foreign currency translation adjustment	7	29
Remeasurements of defined benefit plans, net of tax	—	4,416
Share of other comprehensive income of associates accounted for using equity method	81	335
<b>Total other comprehensive income</b>	1,850	7,228
<b>Comprehensive income</b>	13,908	22,100
(Contents)		
Comprehensive income attributable to owners of the parent	12,736	20,400
Comprehensive income attributable to minority interests	1,171	1,700

# Consolidated Statements of Changes in Net Assets

	Millions of yen				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity Total shareholders' equity
<b>Balance as of March 31, 2013</b>	18,675	32,117	106,731	(1,987)	155,536
Cumulative effects of changes in accounting policies					
Balance at the beginning of current period reflecting changes in accounting policies	18,675	32,117	106,731	(1,987)	155,536
Changes of items during the period					
Dividends from surplus			(2,664)		(2,664)
Net income			10,955		10,955
Purchase of treasury stock				(0)	(0)
Change of scope of consolidation			(60)		(60)
Net changes of items other than shareholders' equity					
<b>Total changes of items during the period</b>	—	—	8,230	(0)	8,229
<b>Balance as of March 31, 2014</b>	18,675	32,117	114,961	(1,988)	163,766

	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total valuation and translation adjustments	Minority interests	
<b>Balance as of March 31, 2013</b>	4,245	(5,343)	(10)	—	(1,109)	21,135	175,563
Cumulative effects of changes in accounting policies							
Balance at the beginning of current period reflecting changes in accounting policies	4,245	(5,343)	(10)	—	(1,109)	21,135	175,563
Changes of items during the period							
Dividends from surplus							(2,664)
Net income							10,955
Purchase of treasury stock							(0)
Change of scope of consolidation							(60)
Net changes of items other than shareholders' equity	1,724	0	56	(6,148)	(4,366)	778	(3,587)
<b>Total changes of items during the period</b>	1,724	0	56	(6,148)	(4,366)	778	4,641
<b>Balance as of March 31, 2014</b>	5,969	(5,343)	46	(6,148)	(5,475)	21,914	180,205

	Millions of yen				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity Total shareholders' equity
<b>Balance as of March 31, 2014</b>	18,675	32,117	114,961	(1,988)	163,766
Cumulative effects of changes in accounting policies			5,776		5,776
Balance at the beginning of current period reflecting changes in accounting policies	18,675	32,117	120,738	(1,988)	169,542
Changes of items during the period					
Dividends from surplus			(3,518)		(3,518)
Net income			13,534		13,534
Purchase of treasury stock				(0)	(0)
Change of scope of consolidation					
Net changes of items other than shareholders' equity					
<b>Total changes of items during the period</b>	—	—	10,015	(0)	10,015
<b>Balance as of March 31, 2015</b>	18,675	32,117	130,753	(1,989)	179,557

	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total valuation and translation adjustments	Minority interests	
<b>Balance as of March 31, 2014</b>	5,969	(5,343)	46	(6,148)	(5,475)	21,914	180,205
Cumulative effects of changes in accounting policies						190	5,966
Balance at the beginning of current period reflecting changes in accounting policies	5,969	(5,343)	46	(6,148)	(5,475)	22,104	186,171
Changes of items during the period							
Dividends from surplus							(3,518)
Net income							13,534
Purchase of treasury stock							(0)
Change of scope of consolidation							
Net changes of items other than shareholders' equity	2,266	49	126	4,423	6,865	1,311	8,176
<b>Total changes of items during the period</b>	2,266	49	126	4,423	6,865	1,311	18,192
<b>Balance as of March 31, 2015</b>	8,235	(5,293)	173	(1,725)	1,389	23,415	204,363

# Consolidated Statements of Cash Flows

	Millions of yen	
Fiscal years ended March 31, 2015 and 2014	2014	2015
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	20,911	24,653
Depreciation and amortization	9,198	11,331
Impairment loss	2	0
Amortization of goodwill	370	768
Amortization of negative goodwill	(80)	(60)
Increase (decrease) in allowance for doubtful accounts	11	(281)
Increase (decrease) in net defined benefit liability	(310)	213
Increase (decrease) in provision for bonuses	24	(246)
Increase (decrease) in provision for directors' bonuses	36	(54)
Interest and dividends income	(762)	(797)
Interest expenses	578	689
Equity in (earnings) losses of affiliates	(517)	(641)
Loss (gain) on sales of noncurrent assets	1	1
Loss (gain) on retirement of noncurrent assets	218	228
Loss (gain) on reversal of asset retirement obligations	(25)	—
Loss (gain) on sales of investment securities	(222)	(161)
Loss (gain) on valuation of investment securities	23	49
Loss (gain) on valuation of derivatives	(180)	(105)
Decrease (increase) in notes and accounts receivable–trade	(4,744)	(5,391)
Decrease (increase) in inventories	956	(348)
Increase (decrease) in notes and accounts payable–trade	1,801	2,676
Decrease (increase) in net defined benefit asset	(1,279)	(1,970)
Decrease (increase) in assets and liabilities for Transportation Security Services	2,329	(11,624)
Other	257	8,953
Subtotal	28,597	27,884
Interest and dividends income received	900	953
Interest expenses paid	(574)	(698)
Income taxes paid	(7,900)	(8,573)
Income taxes refund	32	100
Net cash provided by (used in) operating activities	21,056	19,666
<b>Net cash provided by (used in) investing activities</b>		
Decrease (increase) in time deposits	63	(498)
Purchase of property, plant and equipment	(15,224)	(12,153)
Proceeds from sales of property, plant and equipment	10	2
Purchase of investment securities	(878)	(919)
Proceeds from sales of investment securities	1,627	1,357
Purchase of investments in subsidiaries	(30)	(498)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(11,435)
Decrease (increase) in short-term loans receivable	3	(12)
Payments of long-term loans receivable	(74)	(102)
Collection of long-term loans receivable	158	133
Other	(2,356)	(168)
Net cash provided by (used in) investing activities	(16,701)	(24,295)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	(439)	15,802
Proceeds from long-term loans payable	459	920
Repayment of long-term loans payable	(3,388)	(3,447)
Redemption of bonds	(10)	(57)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(2,793)	(2,700)
Cash dividends paid	(2,664)	(3,518)
Cash dividends paid to minority shareholders	(304)	(401)
Net cash provided by (used in) financing activities	(9,142)	6,596
<b>Effect of exchange rate change on cash and cash equivalents</b>	2	40
<b>Net increase (decrease) in cash and cash equivalents</b>	(4,785)	2,007
<b>Cash and cash equivalents at beginning of period</b>	40,541	35,791
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	36	—
<b>Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries</b>	—	177
<b>Cash and cash equivalents at end of period</b>	35,791	37,976



## Corporate Information

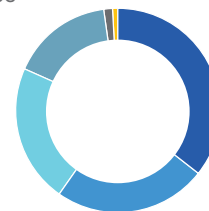
Corporate Name SOHGO SECURITY SERVICES CO., LTD.  
 Head Office 1-6-6 Motoakasaka, Minato-ku, Tokyo  
 107-8511, Japan  
 Established July 16, 1965  
 Capital ¥18,675 million  
 Fiscal Year-End March 31  
 Employees (Consolidated) 31,221  
 (Non-consolidated) 12,331  
 Business Operations Head office / 10 Headquarters /  
 65 Branches / 40 Offices / 289 Sales offices

## Stock Information

Total Number of Shares Authorized 300,000,000  
 Number of Shares Issued 102,040,042  
 (including 1,506,619 shares of treasury stock)  
 Number of Shareholders at the End of the Preceding Fiscal Period 10,746  
 Stock Listing First Section of Tokyo Stock Exchange  
 Securities Code 2331  
 Minimum Trading Lot 100

## Distribution of Shares by Shareholder Type

Financial Institutions	35.8%
Domestic Corporations	24.2%
Individuals and Other	21.7%
Foreign Investors	16.1%
Treasury Stock	1.5%
Securities Companies and Other	0.7%

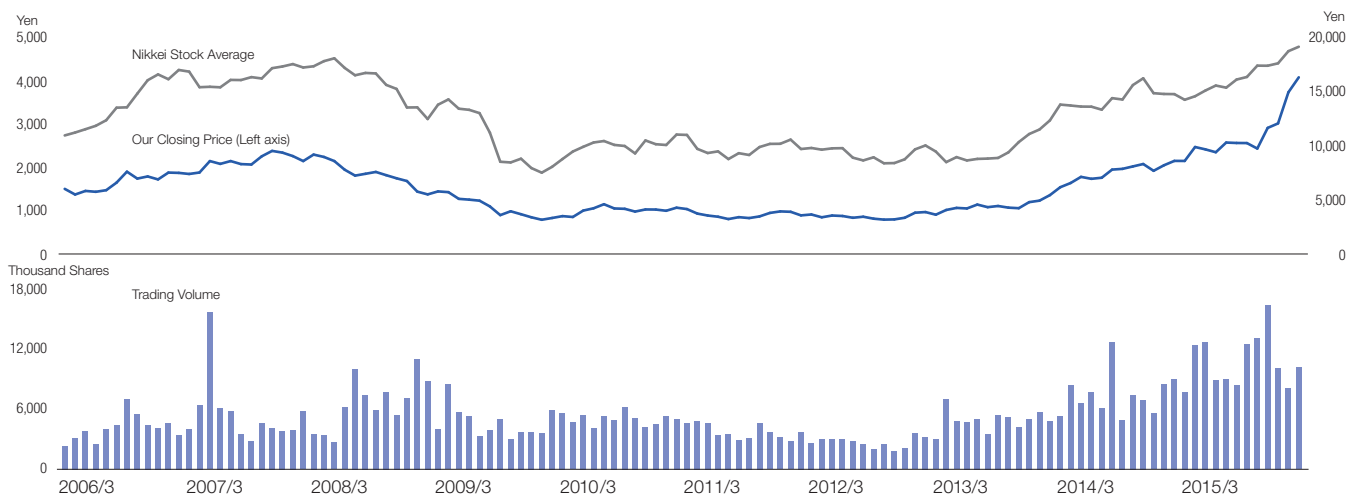


## Major Shareholders (Top 10)

Name	Number of shares held (1,000 shares)	Percentage of shares held (%)
SOHGO CORPORATION	7,388	7.34
Employees Shareholding Association	5,504	5.47
Japan Trustee Services Bank, Ltd. (Trust Account)	5,341	5.31
Saitama Machinery Co., Ltd.	5,283	5.25
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Ltd.	4,261	4.23
Retirement Benefit Trust1 Northern Trust Co. (AVFC)	4,150	4.12
Kamakura Corporation	4,150	4.12
Sompo Japan Nipponkoa Insurance Inc.	3,441	3.42
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,420	3.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,080	3.06
Atsushi Murai	2,985	2.96

\* Treasury stock (1,506,619 shares) has been excluded.

## Stock Chart



## About ALSOK Report 2015

Beginning with the fiscal year ended March 31, 2015, the Company has begun publishing integrated reports that compile its previously separate annual reports and CSR reports. These integrated reports will be positioned as comprehensive communication tools meant to provide stakeholders with easy-to-understand explanations of the ALSOK Group's business performance and other financial information, business activities, and strategies as well as the Group's various initiatives for pursuing sustainable improvements in corporate value. We hope these reports will prove to be viable tools for promoting understanding with regard to the ALSOK Group for shareholders, other investors, and a wide range of other readers.

## Information for Shareholders and Other Investors

ALSOK's corporate website includes detailed information on the Company's management policies, financial position, business performance, and stock as well as an assortment of IR materials.

IR website: <http://www.alsok.co.jp/en/ir/>



## CSR and Social Contribution Activities

Detailed information on the CSR and social contribution activities that ALSOK is advancing as part of its business activities based on ISO 26000 can be found on its corporate website (some sections available in Japanese only).

CSR website: <http://www.alsok.co.jp/en/csr/>





SOHGO SECURITY SERVICES CO., LTD.

1-6-6 Motoakasaka, Minato-ku,  
Tokyo 107-8511, Japan  
<http://www.alsok.co.jp/en/>

**IR Office** TEL. +81-3-3423-2331  
FAX. +81-3-3470-1565  
**CSR Office** TEL. +81-3-3470-1972  
FAX. +81-3-5411-1636

#### Eight consecutive years of inclusion in principal SRI index

Since 2007, ALSOK has been selected for inclusion in the FTSE4Good Global Index, a socially responsible investment (SRI) index. We believe this continued inclusion reflects recognition of ALSOK's active engagement in CSR activities.



FTSE4Good

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