

Eyes Toward the Future

ALSO REPORT 2017

Fiscal Year Ended March 31, 2017



Eyes Toward the Future

Since its founding in 1965, the ALSOK Group has continued to contribute to the safety and security of customers and society by developing its wide-ranging security services operations as a leading company in the Japanese security services industry.

Our more than 36,000 employees pride themselves on ALSOK's history, which inspires them as they build our future.

We are committed to always protecting the safety and security of customers and society. Accordingly, we see our mission as continuously creating new corporate value by providing products and services of impeccable quality.





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Editorial Policy

ALSOK Report 2017 has been constructed as an integrated report that compiles information on the Company's performance, business operations, future strategies, and financial information as well as non-financial information on its corporate social responsibility (CSR) activities and other topics. In addition to describing the state of management from an economic perspective, this report also explains the ALSOK Group's environmental, social, and governance (ESG) initiatives as well as the various CSR activities the Group carries out to contribute to the international society's drive to achieve the United Nations' Sustainable Development Goals (SDGs). In this manner, we have sought to paint a comprehensive picture of the ALSOK Group's pursuit of ongoing growth.

We hope that this report will provide an opportunity to deepen our engagement with our various stakeholders.

For data and information on corporate activities that were not included in this report, please also refer to the Company's corporate website.

Information for Shareholders and Other Investors

ALSOK's corporate website includes detailed information on the Company's management policies, financial position, business performance, and stocks as well as an assortment of investor relations (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.

CSR website: <http://www.alsok.co.jp/company/society>
(available in Japanese only)

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



Message from the Chairman

ALSOK contributes to the ongoing development of society by functioning as a form of social infrastructure that supports safety and security.

Atsushi Murai

Chairman and Representative Director
Chief Executive Officer (CEO)



Pursuit of New Business Opportunities

In the fiscal year ended March 31, 2017, the ALSOK Group's operating environment was characterized by favorable trends in the security services industry seen in the midst of a rise in capital investment among companies stimulated by a modest economic recovery. However, the trend toward protectionism witnessed overseas, which was exemplified by the economic policies of the Trump administration in the United States and the United Kingdom's decision to leave the European Union, created cause for concern. A cautious outlook is thus warranted with regard to the impacts of these developments on the domestic economy. In regard to public safety in Japan, the number of reported crimes is decreasing rapidly. Regardless, the incessant media coverage of various crimes contributed to a situation in which this decrease did not translate to an improvement in perceived safety. Particular fear was drummed up for crimes targeting children, senior citizens, and differently abled individuals as well as cyberattacks aimed at companies and the acts of international terrorism that are shocking the globe. At the

same time, the threats facing society are growing more diverse with each coming year, as seen in ever more frequent natural disasters and accidents linked to aging social infrastructure.

In this environment, demand continues to grow for security services that can support the safety and security of society, and these services have come to function as an inseparable component of social infrastructure. Meanwhile, labor shortfalls arising from the declining birthrate and aging population have led to diversification in the types of outsourcing needs requested of security services companies. Acting based on its policy of "responding accurately to customers' various risks and outsourcing needs," the ALSOK Group continues to pursue an ever wider range of new business opportunities in order to contribute to the ongoing development of society. In this pursuit, we will move beyond the traditional boundaries of security services, fully leveraging the Group's assets in the process.

Vision for the ALSOK Group of the Future (Eyes Toward the Future)

ALSOK's management is "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." This philosophy guides us in developing honest and diligent employees and in expanding our business. We will continue to position our security services operations as the core of our business going forward. At the same time, we will forge ahead with the development of new businesses and new services with the potential to support the Company, such as long-term care services and general property management and fire protection services, both areas from which we anticipate synergies. The infrastructure and know-how accumulated to date will be utilized in these efforts. As we grow our business in this manner, we will

aggressively expand our business overseas while still keeping our eye on economic trends in Japan.

In Japan, it is projected that the birthrate will continue to decline and that the population will continue to age, a situation that presents the risk of further exacerbating social issues, such as labor shortfall and market shrinkage. Faced with this realization, the ALSOK Group remains committed to ongoing improvements in the quality of its security services. As one approach toward accomplishing this goal, we will provide new security styles, such as those that utilize artificial intelligence, or AI; the Internet of Things, or IoT; robots; and other new technologies to prevent and predict crimes. Another approach will be to better position our human resources and otherwise realize more efficient management.

Through these efforts, we aim to grow the scale of the ALSOK Group's sales to roughly ¥1 trillion and to increase ordinary income to around ¥100.0 billion. As we work toward these goals in our business, there will be no change to our basic policy of functioning as a form of social infrastructure that supports safety and security no matter how times may change. We will thus continue contributing to the development of society,

always guided by our unchanging management philosophy.

Japan is home to more than 3,000 companies that are over 200 years old. Dreaming of one day joining this elite group, ALSOK will push forward with steadfast efforts to develop its business, never being tempted by the lure of easy profits.

Trustworthy Management Systems and Workplace Environment

The security services industry is a labor-intensive industry. As such, the declining birthrate, aging population, and ensuing labor shortfalls present serious issues. However, even if human resources are lacking, we cannot lower our standards for employees. If ALSOK wants to survive, it must be a company that can cultivate and retain talented employees. The sustainable growth society expects of companies can only be achieved when employees feel motivated in their work and are able to make contributions accordingly. It is therefore absolutely essential for management to maintain the appropriate policies and approaches and for the Company to have a fair and open corporate culture. As one facet of its efforts to develop such a culture, the ALSOK Group has established the ALSOK Hotline, providing an internal reporting system that allows employees to report unlawful or inappropriate behavior without suffering disadvantageous treatment and simultaneously cultivating governance awareness. In addition, we are improving the awareness of all employees with regard to compliance through the related education program "Compliance Campaigns".

Furthermore, we recognize the Company's obligation to provide employees with a sound and comfortable workplace environment that is conducive to their ability to balance their work and private lives. We have therefore instituted various measures to help enrich the private lives of employees and help them maintain good physical and mental health. For example, the Company offers childcare and long-term care support systems that exceed the legally mandated level and provides employees with regular health checkups that include some tests generally reserved for more extensive checkups. In addition, we have established the ALSOK Support Line mental health consultation help desk. Furthermore, realizing that the security services industry is generally viewed as a difficult place for women to work, ALSOK actively supports the contributions of female employees. Specific efforts to this end include the introduction of shortened working hour and childcare leave systems and other measures for developing a workplace environment that is conducive to women working at various life stages.

Strengths Represented by the ALSOK Group's Human Resources

The ALSOK Group currently offers security services 24 hours a day, 365 days a year, and it strives to supply customers with services that satisfy them. These efforts are supported by our more than 36,000 trustworthy and highly capable employees, who are a precious asset and one of ALSOK's core strengths. It goes without saying that providing security services requires one to acquire specialized knowledge and develop high-level skills. Moreover, one must see value in protecting the lives, bodies, and assets of people and be able to earn customer trust by going about their duties in a disciplined manner. To cultivate this type of employee, ALSOK implements various training programs, including training for new employees as well as rank-based training. In all of our training programs, we further understanding of and entrench the fundamental spirit that we have adhered to since our foundation. We have thus established a training system that ensures we put this spirit into

practice in all aspects of our business operations. The corporate culture fostered through these efforts places extreme emphasis on both sincerity and integrity and is yet another strength that we can take pride in.

Furthermore, ALSOK has been named as a Tokyo 2020 Official Partner (Security Services and Planning category) to the Olympic and Paralympic Games Tokyo 2020. Aware of the responsibility this position entails, we have enhanced our employee education programs from the perspective of the global market. This involves not only education on language proficiency and cultural understanding but also on manners. Going forward, we will continue to train our talented human resources, who are responsible for supporting the safety and security of society, and develop a workplace environment that enables them to exercise their talents. In this manner, we will seek to keep living up to the expectations of our stakeholders while contributing to the ongoing development of society.

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.

Conversation with the President

Seeking to become a service provider that offers comprehensive support for the safety and security of society, ALSOK will continue to create new value together with its customers.

We arranged for a discussion between President Yukiyasu Aoyama and Yusuke Kawamura, deputy chairman of the institute at Daiwa Institute of Research Ltd. Mr. Kawamura is highly knowledgeable of the securities markets of Japan and other parts of Asia as well as of finance and economics, and he is currently playing a central role in promoting the “Cool Japan” strategy of the Japanese government. The topic of this discussion was the recent course of ALSOK’s business expansion and ideal form of the Company’s business in the future.

Kawamura It has been 15 years since ALSOK was listed on the stock exchange. I have been watching the stock market for many years, and I have not seen many companies that have succeeded in achieving significant performance growth after becoming listed. ALSOK, meanwhile, has been able to grow its sales for seven consecutive years and increase its income for five consecutive years. This incredibly impressive performance demonstrates ALSOK’s exceptional ability to utilize equity financing. What is the secret behind ALSOK’s success?

Aoyama After becoming listed on the stock exchange, we proceeded to install internal controls and otherwise solidify our operating foundations. It was only five or six years ago when we began growing consolidated sales and diversifying our product and service lineup primarily through M&A activities while drastically reforming corporate structures to cut Groupwide costs. These efforts are steadily beginning to produce results in the form of the performance you speak of.

Kawamura So in other words, the ALSOK Group expanded itself in a quantitative manner as a conglomerate that offers comprehensive support for safety and security. The recent decline in the birthrate is said to herald the end of economies in rural areas. However, I see ALSOK as having significant potential to grow against this backdrop. By this, I mean that ALSOK is doing a good job at developing operations in areas where customers look to outsource their business processes.

Aoyama The business process outsourcing needs of customers can vary greatly based on their business model. When deciding in what areas ALSOK will develop its own business, we return to the basic perspective on which our business is founded: protecting the safety and security of customers by determining the areas in which they are troubled with this regard and providing services to address these troubles. Customer needs extend beyond security at their facilities. They also

Yukiyasu Aoyama

President and Representative Director
Chief Operating Officer (COO)

need means of safely transporting cash and other valuables and of inspecting facilities and combating fires and other disasters. We have thus been expanding the scope of our business based on the idea of providing services that respond to the safety and security needs of individual customers.

Kawamura I understand that ALSOK has recently been acquiring long-term care companies. I would not have seen a connection between security services and long-term care. What led you to pursue this course of action?



Yusuke Kawamura

Deputy Chairman of the Institute
Daiwa Institute of Research Ltd.

Aoyama As we develop our home security operations, we have been seeing an increase in cases of emergency reports from senior citizens living alone. This trend inspired us to start offering services in which we dispatch security guards in times of emergency to confirm the safety of senior citizens. After that, municipal governments began developing projects for protecting senior citizens by installing emergency reporting systems in their homes. Meanwhile, security services companies offering round-the-clock, nationwide dispatch services similar to ALSOK's started assisting in these projects as subcontractors. Senior citizens have diverse needs, with some being completely independent and some requiring constant care. Considering that the aforementioned government projects were services aimed at

independent individuals, we turned our attention to the services that are needed by individuals requiring care. We thus chose to enter into the visit-based care service business five years ago. Our first step was to establish our own company for this purpose. However, we later decided to utilize the resources of existing companies through M&A activities, adapting them to fulfill our mission of protecting customers. Today, our long-term care services business is conducted by subsidiaries HCM Corporation, ALSOK Care & Support Co., Ltd., and Wisnet Co., Ltd. With annual sales in the area of ¥25.0 billion, this business provides both in-home and in-facility care services, which have come to be used by around 12,000 individuals.

Kawamura I would like to ask about ALSOK's overseas operations.

I understand that you are currently developing operations centered on Southeast Asia. There are two main patterns through which Japanese companies expand overseas. One pattern is when manufacturers and other companies establish manufacturing bases overseas. The other pattern is when other companies provide services to support Japanese companies in operating overseas manufacturing bases. Am I correct in assuming that your overseas operations started with offering support services, namely security services, to other Japanese companies?

Aoyama

You are essentially right. The start of our overseas operations actually came quite a bit before we commenced a full-fledged overseas business. Specifically, this start was in 1980, when we dispatched members of our staff to implement security measures at an overseas branch of Japan's Ministry of Foreign Affairs. Providing security for this facility and the Japanese citizens that staffed it was the first instance of our exercising the spirit of protecting companies and people, which we have held since our founding, overseas. We later launched a full-fledged overseas business with the intent of utilizing the insight gained through this undertaking to protect the safety and security of Japanese companies developing operations overseas.

It was in 2007, when we established a subsidiary in Thailand, that we first began providing security services to Japanese companies overseas under the ALSOK brand. Our business currently extends to nine countries in Southeast Asia and other areas where many Japanese companies are developing operations. However, the regulations imposed on the security services industries in such countries can make it difficult for us to play a direct role in developing security guards and in establishing and operating security services companies. For this reason, our overseas operations largely consist of security consulting services through which we help customers by formulating security plans, introducing local security services partners, and managing security squads. Nonetheless, our Thai subsidiary has grown to possess a staff of approximately 700 security professionals over the past decade. These employees provide Japanese companies expanding overseas with ALSOK brand electronic security and stationed security services. In addition, we acquired companies offering security services in Indonesia and Vietnam in 2016, and our combined security staff in these two countries now totals roughly 3,000 individuals.

Conversation with the President

Kawamura

Looking ahead, Japan is scheduled to host international sporting events including the 2019 Rugby World Cup and the Olympic and Paralympic Games Tokyo 2020. If we turn our eyes to the past, we will see that it was similarly large events, most notably the Olympic Games Tokyo 1964 and Expo '70 in Osaka, that have stimulated rapid growth in private-sector security services companies. Do you expect these upcoming events to once again serve as catalysts for growth in the security services industry?

Aoyama

I expect that the upcoming events will indeed stimulate our growth. ALSOK founder Jun Murai was appointed to Deputy Secretary-General on the organizing committee for the Olympic Games Tokyo 1964, and this experience led him to establish the Company in the following year of 1965. Expo '70, held in Osaka in 1970, proved to be a national undertaking of similar scale to the Olympics, becoming the largest international expo ever at that point in time. I feel great pride in our ability to continue in this tradition by once again helping to ensure the safety and security of major international events. In fact, I see this as part of ALSOK's mission. Providing security at these events will be massive undertakings that will test Japan's security services industry as a whole, requiring that the industry address tasks such as securing, educating, and training an incredible amount of security guards and utilizing cutting-edge technologies. Through our participation in these events, I hope to show the world a new form of security services that take advantage of the IoT, AI, robots, and other technologies.

Kawamura

On the topic of new forms of security services, information and communications technologies, or ICT, and IoT technologies are progressing constantly and it can be expected that these technologies will evolve into something completely new over the next several years. ALSOK is a forerunner in the field of smart security services, developing businesses using drones and employing robotics technologies in its security services. How would you describe the Company's R&D and marketing systems?

Aoyama

We advance research and development in collaboration with partner manufacturers, coordinating closely with them. However, this process requires time. Conditions inside and outside of the Company, meanwhile, change at breakneck speed. For example, if incidents of stalking and other reprehensible crimes emerge, there is an immediate need to deploy products and services for combating these crimes. Ideally, we would like to conduct research and development with an eye to three to five years down the line, but it can be difficult to accurately predict future crisis management needs. Nonetheless, we recognize that history repeats itself. We are therefore currently focused on working together with manufacturers to develop systems that effectively use cameras to identify the precursors of crimes and accidents and to detect suspicious activities and to link these systems to our security services. In the future, there will be a need to more efficiently position security guards and to compensate for labor shortfalls, including those resulted from the declining birthrate and aging population. The collection of big data and the utilization of AI, the IoT, new sensors, and robots will be crucial to accomplishing these objectives.



Yusuke Kawamura

Deputy Chairman of the Institute
Daiwa Institute of Research Ltd.

Mr. Kawamura joined Daiwa Securities Co., Ltd., after graduating from the Faculty of Law at Tokyo University in 1977. Later, he acquired a Master of Laws from the University of Washington in 1981, before becoming a professor at the Faculty of Economics and the Graduate School of Economics of Nagasaki University in 2000 and then Senior Counselor of Daiwa Institute of Research in 2010 and eventually assuming his current position in 2012. In this position, he has also served concurrently as a member of the Ministry of Finance's Fiscal System Council and the Financial Services Agency's Business Accounting Council, an expert advisor to the Steering Committee of the Cabinet Secretariat's Assembly of Cabinet Ministers Related to Promoting Public-Private Fund Usage, and an outside director at Cool Japan Fund Inc. and Mitsui Sugar Co., Ltd.



Kawamura The Sustainable Development Goals, commonly known as the SDGs, were adopted at the United Nations General Assembly session held in September 2015. In addition, the Japan Securities Dealers Association started encouraging companies to join the effort to accomplish the SDGs in the fiscal year ending March 31, 2018. ALSOK has already joined this effort, as seen in its initiatives for supporting the contributions of female employees, among others. What inspired this preemptive action?

Aoyama ALSOK's business has always been to protect safety and security, and the point of departure for this business is to contribute to society. We have recently been engaging in CSR activities focused on environmental, social, and governance, or ESG, concerns. Accordingly, we had a strong recognition of the fact that the accomplishment of the SDGs would be crucial to the sustainable growth of companies. ALSOK aims to ensure safety and security in the lives of all people in its capacity as a provider of a form of social infrastructure that supports safety and security. To fulfill this role, we will broaden our perspective from beyond the conventional scope of the security services industry, focusing our eyes on the future. With this view, we will advance a full-out pursuit of innovation to create value for protecting safety and security in the present and in the future.

Kawamura In Europe and the United States, whether or not a company is contributing to the accomplishment of the SDGs has already become an important indicator for institutional investors. I too think it is necessary for Japan, as a whole, to join this movement as a member of the international society and to increase its presence in the global financial market. I plan to pay attention to the efforts of companies, ALSOK included, with this regard going forward.

Lastly, I would like to ask you about a corporate management topic that has been garnering a great deal of attention in recent years: the reinforcement of corporate governance. A couple of years ago, the Tokyo

Stock Exchange formulated Japan's Corporate Governance Code. This code encourages companies to increase their number of outside directors and to practice effective governance. What are your thoughts with this regard?

Aoyama Listed companies are supported by their relationships with various stakeholders. In order for a company to grow while gaining the full understanding of these stakeholders, it must have various check systems in place with regard to its management policies to maintain transparency and practice appropriate accountability. What is important is to prevent the form of governance systems from being made into the end goal. The construction of frameworks that cannot actually function is a backwards approach. There is an inherent importance to management policies and the concept of management ethics with regard to the best way to exercise accountability. I therefore want to focus on creating systems that enable these concepts to be discussed and to permeate the entire organization.

Kawamura That's why the *arigato no kokoro* and *bushi no seishin* principles described in ALSOK's management philosophy are also important to corporate governance, or, in other words, that a company must put its heart into its governance efforts. Thank you for inviting me to speak with you today.

Aoyama Thank you for joining us today.

* ALSOK is a Tokyo 2020 Official Partner [Security Services and Planning].

Japanese Security Services Industry and ALSOK's Position Therein

Public Safety and Security Services Operating Environment in Japan

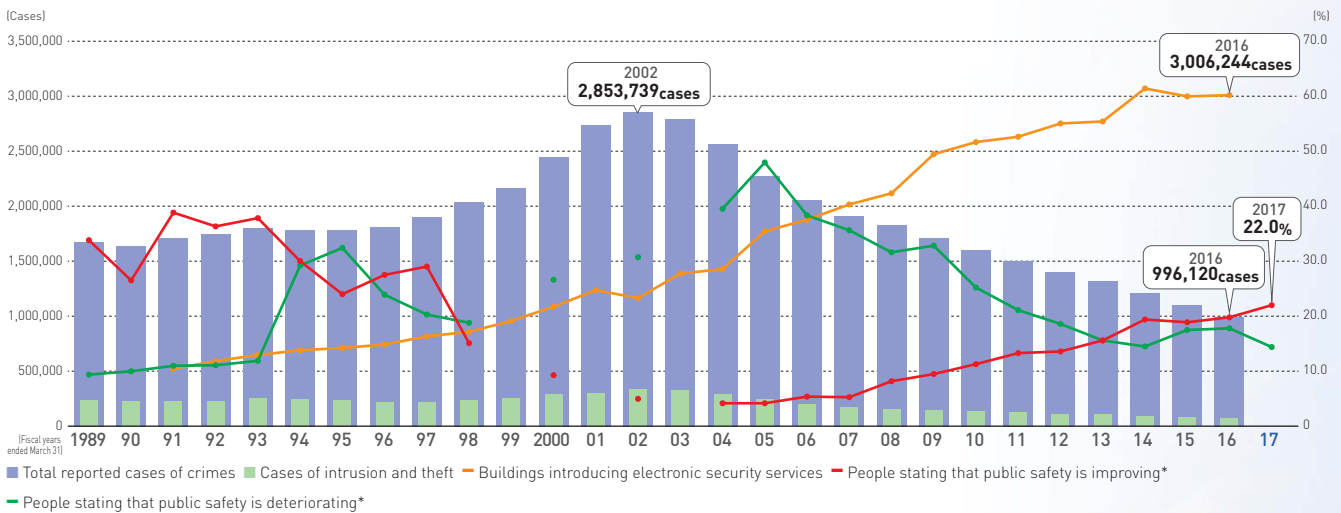
In 2016, the number of reported crimes declined for the 14th consecutive year, dropping below 1 million for the first time since World War II. Moreover, the number of reported crimes was nearly one-third the level from 2002 when the number of reported crimes peaked at 2.85 million, and cases of intrusion and theft, in particular, were roughly one-fourth the level from 2002. One reason behind this ongoing decline owes to the services for protecting safety and security provided by security services companies becoming widely recognized by society and the accompanying increase in the use of these services.

Among the services provided by security services companies, electronic security services entail installing sensors at customer premises to detect abnormalities so that security guards can be dispatched to the

scene and the police and other authorities can be notified as necessary. The number of facilities introducing these services has continued to increase in recent years. In 2016, 3 million facilities used these services, 2.6 times higher than in 2002. Today, the chance of a house protected by electronic security services being burgled is approximately one-sixth that of unprotected houses (based on Company estimate).

The role security services companies play in preventing crime is growing larger. Such companies have been taking part in community crime prevention activities in collaboration with the police. Also, there has recently been a rise in the number of cases of security camera images being used to help arrest suspects.

Number of Reported Cases of Crimes and Buildings Introducing Electronic Security Services and Perception of Public Safety in Japan



Sources: Crime statistics materials, overviews of the security industry, National Police Agency; public perception surveys, Cabinet Office

* Data for the years 1999, 2001, and 2003 is not publicly available and has therefore been omitted.

Meanwhile, there has been significant rises in specific types of crimes. These crimes include bank transfer scams and other special-case scams preying on senior citizens, stalking, domestic violence, child abuse, kidnapping and other abductions, and cybercrimes. As a result, more than 2 million consultations are received by the police each year from individuals seeking to protect themselves from such crimes or inquiring into other public safety topics.

In addition, social needs for safety and security are on the rise among households, companies, and communities alike. This trend is being stimulated by concerns about natural disasters, terrorism, infectious diseases, and other threats as well as changes in the structure of society, such as from the declining birthrate and aging population. Given that only just over 20% of people in Japan state that public safety is improving when surveyed, one cannot claim that the perception of public safety is getting better.

Consultations Regarding Stalking

22,737 Up 36%

Source: The White Paper on Police, 2017

Kidnapping Victims Under the Age of 13

106 Up 28%

Source: The White Paper on Police, 2017

Number of Arrests Related to Cybercrimes

8,324 Up 45%

Source: The White Paper on Police, 2017

Number of Reported Special-Case Scams

14,154 Up 96%

Source: The White Paper on Police, 2017

Ratio of Special-Case Scams Targeting Senior Citizens Over the Age of 65

78.2%

Damages of Special-Case Scams

¥40,770 million Up 100%

Note: Figures are from 2016. Rates of increase or decrease are in comparison to 2011.

Trends in the Security Services Industry

The security services industry provides services for protecting safety in people's lives by completing one's own crime prevention activities or conducting such activities on one's behalf. As such, security services companies make a business of protecting the safety and security of society based on the requests of their customers.

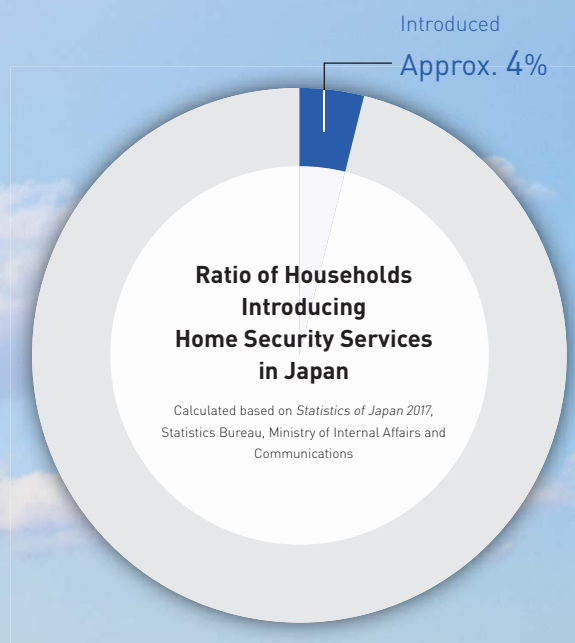
Presently, there are approximately 9,400 security services companies in Japan with roughly 540,000 security guards, and the combined sales of these companies total ¥3.4 trillion [Source: *Overview of the Security Industry in 2016*, National Police Agency]. The consolidated net sales of the ALSOK Group account for approximately 10% of these sales, giving it the No. 2 position in the industry.

The majority of security services companies mainly offer labor-intensive stationed security services, traffic control, and crowd control. Only a small portion of these companies are capable of offering electronic and transportation security services, which require a large amount of capital investment. Furthermore, the ratio of households

introducing home security services in Japan is currently around 4%. This ratio is much lower than ratios of more than 20% seen in Europe and the United States, and it can thus be said that the Japanese security services market features substantial latent demand. Given the labor-intensive nature of security services, labor shortfalls arising from the declining birthrate and aging population are an issue, making the improvement of labor productivity a pressing task.

According to the proposal that led to the decision to hold the Olympic and Paralympic Games in Tokyo for 2020, the event will entail the mobilization of 14,000 private-sector security guards to ensure its safety. ALSOK is committed to contributing to the success of the Olympic and Paralympic Games Tokyo 2020 as a leading company in Japan's security services industry and as a Tokyo 2020 Official Partner.

* ALSOK is a Tokyo 2020 Official Partner [Security Services and Planning].

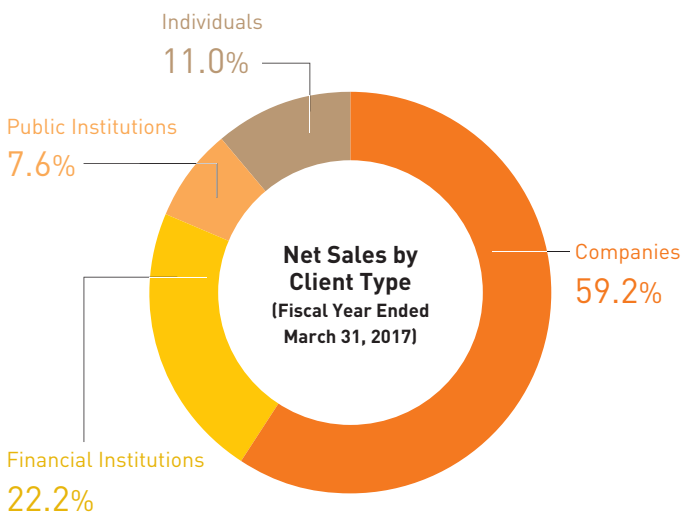
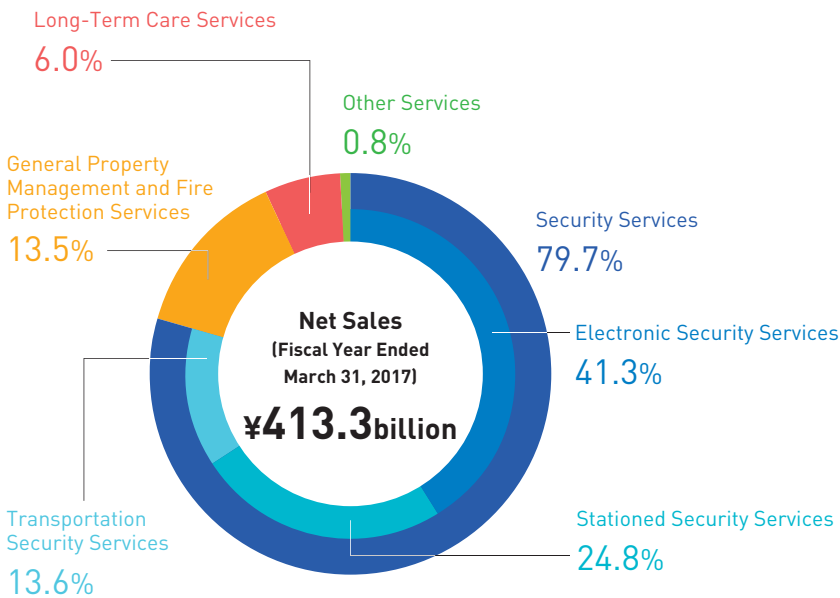


The ALSOK Group's Business

Since its founding as SOHGO SECURITY SERVICES CO., LTD., in 1965, ALSOK has endeavored to protect the safety and security of society as a leading company in Japan's security services industry.

The Company's main line of business is security services, which include electronic security services, stationed security services, and transportation security services. ALSOK protects the lives, assets, and safety of people by providing these services on a nationwide basis. With the mobility necessary to swiftly dispatch security guards nationwide 24 hours a day, 365 days a year, we are furnishing an important piece of Japan's economic and social infrastructure.

At the same time, we are leveraging the experience and expertise gained through our security services operations to broaden the scope of our business while responding to customer needs as they grow more diverse in conjunction with the changing times. For individual users, we provide a vast lineup of products and services that support safe, secure, and comfortable lives, including caring service and watching over precious members of one's family. For corporate clients, we can deliver multifaceted support for business activities with building maintenance and ancillary installation services as well as with disaster prevention, business continuity, and terrorism countermeasure services.



Security Services

Electronic Security Services Contracts (for Corporate Clients and Individual Users)

Approx. 900,000

Note: Approx. 1,550,000 housing units covered when including contracts with housing complexes
As of March 31, 2017

Domestic Stationed Security Services Sales

¥102.3 billion

Note: In the fiscal year ended March 31, 2017

ATMs Managed through Total ATM Management System

Approx. 63,500

Note: Approx. 200,000 ATMs in Japan in total (based on Company estimate)
As of March 31, 2017

General Property Management and Fire Protection Services

Aggregate AED Sales

Approx. 135,000 units

Note: Approx. 630,000 AEDs in Japan in total (as of December 31, 2014, based on survey by Ministry of Health, Labour and Welfare research team)
As of March 31, 2017

Long-Term Care Services

Long-Term Care Service Users

Approx. 12,000

As of March 31, 2017

Other Services

Number of Municipal Governments Introducing MIMAMORI Tags as Part of Test Project

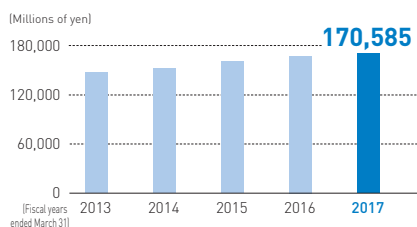
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Note: Number of municipal governments taking part in the smart wellness housing test project promoted by the Ministry of Land, Infrastructure, Transport and Tourism
As of March 31, 2017

Electronic Security Services

At the core of the security services of ALSOK is a centralized monitoring and dispatch system, which utilizes state-of-the-art ICT and is constantly linked to customer properties. In the Electronic Security Services segment, members of our highly trained and experienced staff are on call at our Guard Centers and approximately 2,400 depots located nationwide, ready to rush to the scene 24 hours a day, 365 days a year should a customer face an emergency.

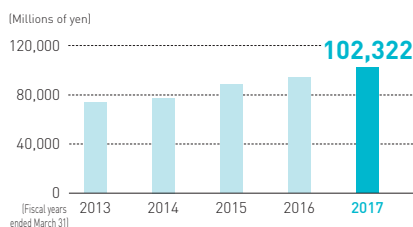
Net Sales



Stationed Security Services

ALSOK's Stationed Security Services segment protects customer safety by stationing security guards at buildings and facilities as well as at events. Our trustworthy and highly capable security guards seek to provide services including access management, patrols, security monitoring, and greeting guests that are always of impeccable quality.

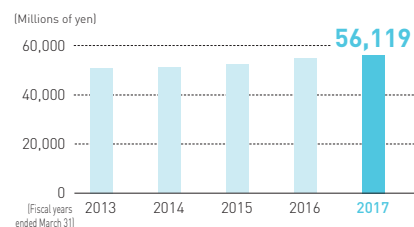
Net Sales



Transportation Security Services

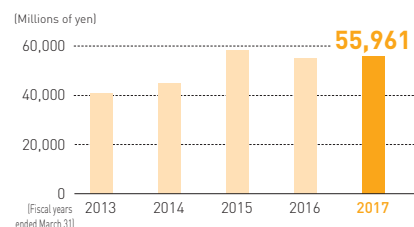
ALSOK's Transportation Security Services segment provides services to prevent theft and other incidents when transporting cash, precious metals, marketable securities, and other valuables. Services offered include cash transportation as well as the Total ATM Management System, in which we provide management and operation services for the ATMs of banks and convenience stores, and the Cash Deposit and Dispenser Machine On-line System, in which we manage stores' sales revenues.

Net Sales



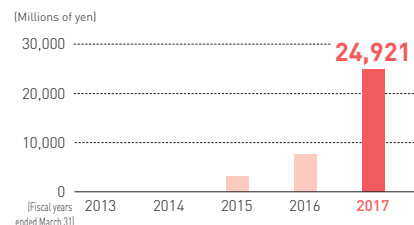
The ALSOK Group provides one-stop service for everything from security to facility management, disaster prevention, and facility installation through close coordination between our Group companies, Japan Facilio Co., Ltd.; Nippon Building Maintenance Co., Ltd.; ALSOK Souei Co., Ltd.; ALSOK Building Services Co., Ltd.; HOCHIKI CORPORATION; and Nippon Dry-Chemical Co., Ltd. We are also devoting efforts to aerial photography services utilizing drones and sales of AEDs and disaster prevention supplies.

Net Sales



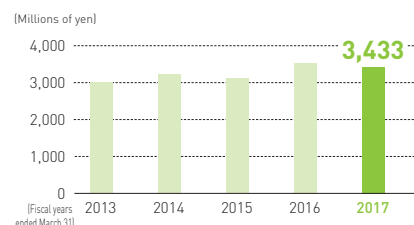
ALSOK provides a wide range of long-term care services through HCM Corporation; ALSOK Care & Support Co., Ltd.; and Wisnet Co., Ltd. Offered primarily in the Tokyo metropolitan area, these services include visit-based and daytime care services as well as fee-based, long-term care facilities, group homes, and other in-facility long-term care services. Currently, these services are used by approximately 12,000 individuals. Through these services, ALSOK will address the increase in customers' needs for long-term care services that is projected to accompany the aging of Japan's society.

Net Sales



MIMAMORI Tags, a newly launched miniature security terminal, have been adopted by 10 municipal governments as part of a test project aimed at protecting senior citizens suffering from dementia. We also offer MAMOLOOK, a mobile security terminal; information security services, which protect against cyberattacks and information leakage; ALSOK DENPO (telegram service); and a diverse range of other products and services that take full advantage of the ALSOK Group's nationwide network.

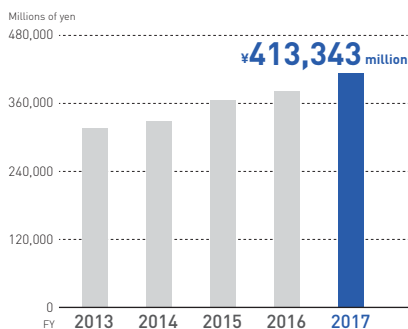
Net Sales



Financial and Non-Financial Highlights

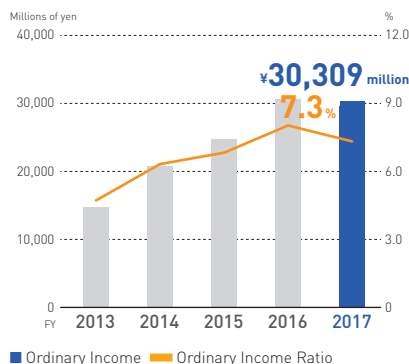
Net Sales

¥413.3 billion
Up 8.3% YOY



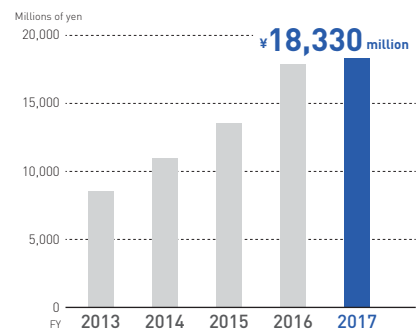
Ordinary Income / Ordinary Income Margin

Ordinary income **¥30.3 billion**
Down 1.2% YOY



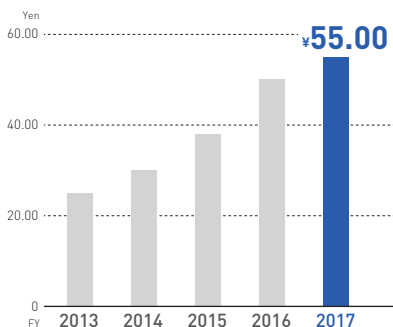
Profit Attributable to Owners of Parent

¥18.3 billion
Up 2.6% YOY



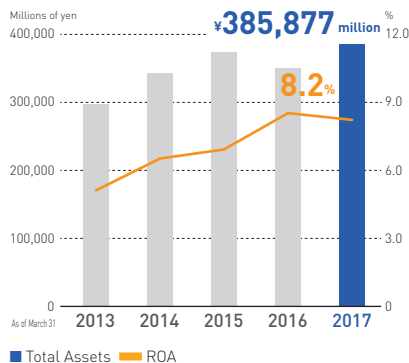
Dividends per Share

¥55.00
Up ¥5.00 YOY



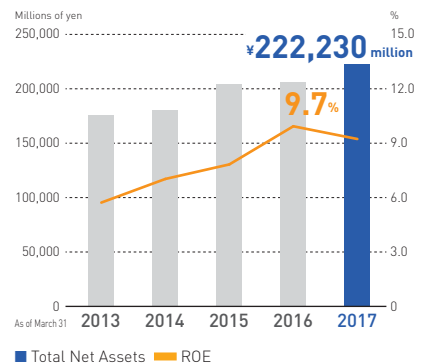
Total Assets / ROA

ROA **8.2%**
Down 0.3 percentage points YOY



Total Net Assets / ROE

ROE **9.7%**
Down 0.2 percentage points YOY

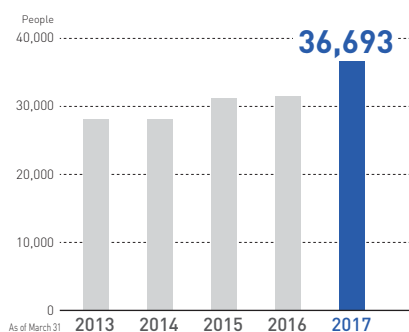


	Millions of yen		
Fiscal year	2015	2016	2017
Fiscal year			
Net sales	365,749	381,818	413,343
Ordinary income	24,700	30,667	30,309
Profit attributable to owners of parent	13,534	17,868	18,330
Capital expenditures	13,627	14,875	12,614
Depreciation and amortization	11,331	12,109	13,773
At the end of fiscal year			
Total assets	373,863	349,561	385,877
Total net assets	204,363	205,622	222,230

	Millions of yen		
Fiscal year	2015	2016	2017
Per share (Yen)			
Profit attributable to owners of parent	134.65	177.77	182.37
Net assets	1,800.15	1,805.09	1,956.25
Dividends	38.00	50.00	55.00
Ratios (%)			
Ordinary income margin	6.8	8.0	7.3
Return on assets (ROA)	6.9	8.5	8.2
Return on equity (ROE)	7.8	9.9	9.7

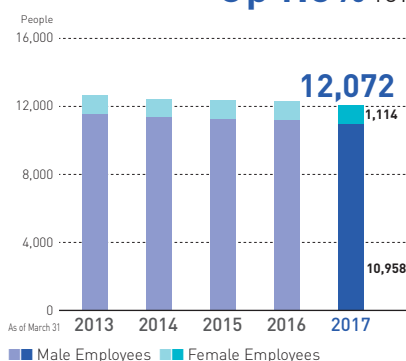
Number of Employees

36,693
Up 16.7% YOY



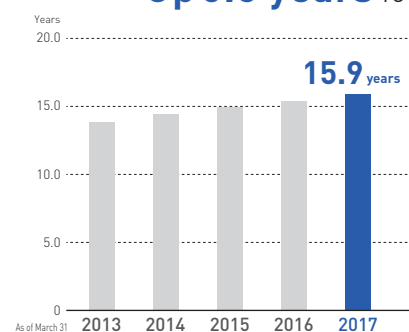
Number of Employees by Gender
(Non-Consolidated)

Number of female employees **1,114**
Up 1.3% YOY



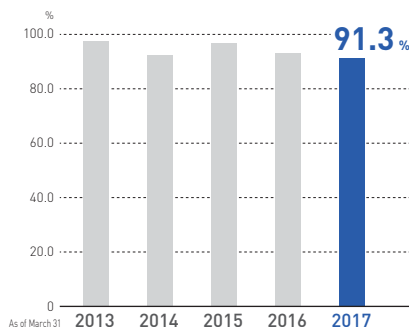
Average Number of Years of Continuous Service (Non-Consolidated)

15.9 years
Up 0.5 years YOY



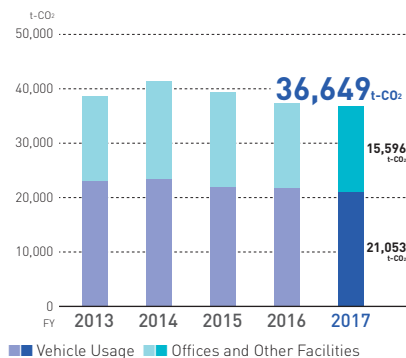
Percentage of Employees Returning to Work after Childcare Leave (Non-Consolidated, Total for Male and Female Employees)

91.3%
Down 1.7 percentage points YOY



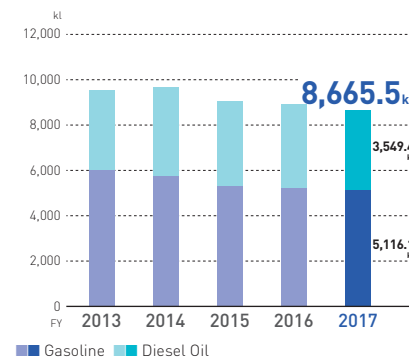
CO₂ Emissions Volume (Non-Consolidated)

36,649t-CO₂
Down 2.0% YOY



Fuel Usage by Vehicles (Non-Consolidated)

8,665.5kl
Down 2.8% YOY



Percentage of Administrative Positions Filled by Women (Non-Consolidated)
[As of April 1, 2017]

3.5%



Number of Children Participating in ALSOK ANSHIN KYOSHITSU Classes
[As of March 31, 2017]

Aggregate total of **1,333,000**



Number of Individuals Completing First-Aid Training
[As of March 31, 2017]

Total of **17,151**



Review of Operations

Security Services Operations

TOPICS

from the Fiscal Year Ended March 31, 2017, and the Fiscal Year Ending March 31, 2018

Performed security operations at the G7 Ise-Shima Summit and other meetings of government leaders (total of 10 cities and towns)

Acquired PT. ALSOK BASS Indonesia Security Services

Acquired ALSOK Vietnam Security Services Joint Stock Company

Began offering Net de Security Guard

Electronic Security Services

In the year under review, strong sales were achieved by ALSOK's Electronic Security Services segment for services for corporate clients including ALSOK-GV (read as "ALSOK G-five") and ALSOK-ST as well as for security cameras and access management equipment. ALSOK-GV is a cutting-edge, all-in-one security system with functions for sensor detection, image monitoring using security cameras, equipment control, and labor management using access management information, including information related to when employees arrive at and leave work. Moreover, this system enables these functions to be controlled via the Internet. ALSOK-ST is a standard system that mainly monitors for intrusions, fires, and equipment issues.

In services for individual users, growth in contract numbers was favorable for Home Security Basic, the current standard model in ALSOK's home security lineup, and for HOME ALSOK Premium, which provides a sophisticated security system. As a result, the number of households enrolled in ALSOK home security services (including housing complexes) has surpassed 1 million.

Looking ahead, we are conducting research and development on technologies aimed at utilizing security camera images and AI to



create electronic security services that go beyond conventional intrusion detection services to help prevent crimes before they happen. As one facet of these R&D activities, we have developed a system that analyzes and highlights the emotional state of people appearing in security camera images to detect in real time suspicious individuals that may potentially commit crimes. This system contributed to efficient security operations at the 2016 G7 Ise-Shima Summit.

Stationed Security Services

The rising need for high-quality security and security augmentation services to address frequently occurring acts of terrorism created a favorable trend in contracts for large-scale security operations at events in the Stationed Security Services segment during the year under review. Specific events included the G7 Ise-Shima Summit and other G7 meetings and the 2017 Sapporo Asian Winter Games. Contracts for security operations at facilities were also strong amidst the rise in outsourcing needs stimulated by the severe lack of workers in the manufacturing industry as well as the increase in newly constructed office buildings that occurred as part of urban redevelopment plans.

In addition, we began offering Net de Security Guard. This new service is an industry-first in that it allows customers to request security guards with ease via the Internet. Through this service, we aim to expand the market by providing a highly accessible framework for customers that have not previously had direct dealing with ALSOK to make inquiries and orders related to the Company's stationed security services.



Future initiatives in this business will include measures to increase our on-site response capabilities and improve operational efficiency in light of the ever-more severe labor shortfalls. To this end, we plan to coordinate security guards armed with ICT equipment, such as wearable cameras and ultra-compact tablets, and security robots, an area in which we have 30 years of development history.

Established ALSOK SHOJITSU SECURITY SERVICE CO., LTD.

Provided security services for the 2017 Sapporo Asian Winter Games

Established ALSOK-TW East Japan Co., Ltd.

Formed capital alliance with Keihanshin Security Services Co., Ltd.

Established ALSOK KANTO DELIVERY CO., LTD.

Transportation Security Services



In the year under review, the Transportation Security Services segment benefited from an increase in orders for the Total ATM Management System amid a growing trend toward outsourcing operation and management of ATMs installed inside and outside of financial institutions and in stores as well as a rise in ATMs that are compatible with overseas bank cards. There was also a strong trend in business process outsourcing orders for cash management and other aspects of financial institution business center operations.

In the future, it can be expected that there will be an increase in the need for services related to ATMs that are compatible with overseas bank cards given the anticipated rise in the number of inbound visitors to Japan. Meanwhile, we are advancing new initiatives including the creation of new cash management services that



address labor shortages in the distribution and retail industries by merging register operation with the Cash Deposit and Dispenser Machine On-line System.

Column

ICT and ALSOK's Electronic Security Services

ALSOK began offering electronic security services in 1967, and these services have continued to evolve together with ICT technologies over the 50 years that followed.

As telecommunication technologies have evolved from dedicated communications lines to standard telephone lines, Internet connections, and eventually mobile networks, we have taken advantage of the current technologies to provide ever speedier and more reasonably priced services. Similarly, the capacity for large-volume data transmissions has made it possible to branch out from alarm systems to realize sophisticated security services utilizing facility control as well as camera images and video.

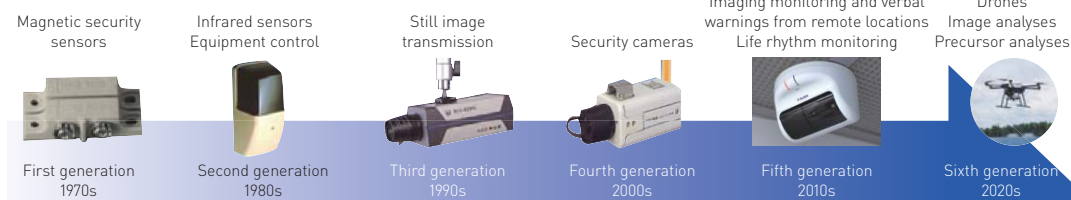
Today, we are developing technologies for preventing crime and accidents in the upcoming era of big data utilization. Such technologies include those that use AI to analyze camera images in

order to track individuals via face recognition systems, predict the behavior of crowds, and detect suspicious activities.

As part of our toolkit for large-scale security operations at events, we will continue to evolve ALSOK Zone Security Management. This total security system is an amalgamation of ALSOK's cutting-edge security expertise that protects entire areas through the use of security guards armed with wearable equipment, network cameras, drone detection systems, and multi-language robots.

Furthermore, ALSOK is engaged in verification tests aimed at developing security services that utilize ultra-high-speed, high-capacity 5G communication networks to achieve compatibility with 4K and other high-resolution images. We hope to realize practical application of these services in the near future.

Evolution of ALSOK's Electronic Security Services



More advanced image analysis
Accident and crime prevention

Evolution of Telecommunications Technologies



Non-Security Operations

TOPICS

from the Fiscal Year Ended March 31, 2017, and the Fiscal Year Ending March 31, 2018

Began providing vacation rental support solutions

Launched Flood Prevention Act response solutions

Started drug and explosive detector maintenance services

Began providing cybersecurity solutions for regional financial institutions

General Property Management and Fire Protection Services



By increasing coordination between Group companies, the General Property Management and Fire Protection Services segment has been successful in expanding orders for comprehensive property management services, which encompass the maintenance, management, and operation of various facilities, as well as for cleaning and renovation services. In addition, we continue to achieve favorable sales of sprinklers and other fire extinguishing equipment, which were stimulated by the revision of the Fire Service Act, and disaster response kits and other disaster preparedness items. In this segment, we also boast a large share of AED sales in the domestic market.



The Group is also actively promoting other services, including ALSOK Aerial Photography Services, which use drones to aid in inspections of large-scale solar power installations, and services relating to disaster response and terrorism countermeasure plans and drills. A newer offering, our vacation rental support solutions were launched in response to the rise in inbound visitors to Japan. These solutions are garnering attention for their ability to provide total support for all aspects of operating rental properties, including security, cleaning, and call center support.

Japanese post-war economic miracle as well as a lack of the necessary staff to maintain and manage such buildings. For this reason, we launched the new ALSOK Security and Equipment service package. This package bundles ALSOK's high-quality security services with comprehensive property management services, including installation, operation, and management of equipment. Looking ahead, the Group will gather its combined strength to promote this service package and other offerings that are capable of accurately responding to the various building- and facility-related outsourcing needs of customers.

In the future, we anticipate an increase in renovation projects targeting buildings constructed during the period of the so-called

Long-Term Care Services



In its Long-Term Care Services segment, the ALSOK Group provides long-term care services in the Tokyo metropolitan area and in other major cities, including Osaka, Nagoya, and Sendai. In the year under review, the combined sales of this segment's three operating companies—HCM Corporation, ALSOK Care & Support Co., Ltd., and Wisnet Co., Ltd.—totaled approximately ¥25.0 billion.



These services are currently provided to around 12,000 people out of the Group's approximate 380 nationwide long-term care service bases. Of these, around 130 bases are fee-based, long-term care facilities and group homes offering in-facility care services while the other roughly 250 bases conduct visit-based care services, day services, welfare item operations, and other elements of in-home care services.

are also instituted at these facilities through collaboration with ALSOK offices.

We have systems in place in our service area that ensure customers can continue to receive support from the ALSOK Group even if their care needs or physical conditions change.

Our facilities offer a lineup of recreation activities including our original ALSOK ANSHIN YOGA and ALSOK ANSHIN TAISO workout routines for senior citizens, both of which were developed in 2016. In this manner, we hope to help support the independence of our customers going forward.

Furthermore, all of the Group's long-term care facilities are equipped with security systems to ensure that they meet customers' expectations for safety. Evacuation and disaster response drills

Released the ALSOK ANSHIN YOGA workout routine for senior citizens

Launched road monitoring services

Started selling emergency supply kits for senior citizens

Launched ALSOK Security and Equipment service package

Started selling MIMAMORI Tags

Other Services

Other services provided by ALSOK include the MAMOLOOK, a GPS-equipped multifunctional mobile security terminal that caters to demand for means of watching over children and senior citizens. MIMAMORI Tags, another offering, are lightweight, miniature terminals developed specifically with the aim of addressing the issue of individuals with dementia wandering and becoming lost. These tags have been adopted by municipal governments across Japan for use in regional systems for looking after such individuals.

Other offerings include safety confirmation systems, an indispensable part of companies' business continuity plans; virus protect, information leakage countermeasures, and other information security services; volcanic eruption countermeasure solutions; support for preventing diseases in livestock; wildlife damage countermeasures; and other solutions for addressing types of crises that have been frequently



occurring in recent years. We are also actively promoting our telegram service, which takes advantage of the ALSOK Group's nationwide network.

Column

Aggressive Business Expansion through M&A Activities

The ALSOK Group is currently undertaking the aggressive expansion of its business scope through M&A activities with the aim of better fulfilling its mission of protecting the safety and security of society.

ALSOK began expanding the scope of its business by reinforcing its operations in the building maintenance and facility installation fields, which could be seen as an extension of security services. As a result, we are now able to provide one-stop service for safety and security, including disaster prevention services, through our involvement in the management and operation of customers' facilities and buildings. Our next step was to construct business foundations in the field of long-term care services with the aim of supporting safety and security in the daily lives of senior citizens as Japan's society ages. Operations in this field have been positioned as a new pillar of ALSOK's business.

The ALSOK Group is also expanding its mainstay security services operations through M&A activities. In this manner, we are endeavoring to grow our domestic customer base and provide higher levels of value in our security services by enhancing operational efficiency through the integration of the expertise and management resources of the Group and acquisition targets. Similarly, overseas M&A activities are being conducted to increase the range of countries in which ALSOK-quality security services are available and to build frameworks for responding to the safety and security needs of Japanese companies expanding overseas.

In the future, we will work to maximize synergies on a Groupwide basis in order to create new businesses for providing ALSOK's brand of safety and security as we move forward in our pursuit of ongoing growth.

Recent Additions to the ALSOK Group

Security Services

- ALSOK SHOJITSU SECURITY SERVICE CO., LTD.
(February 2017, converted Hitachi Security Service Co., Ltd., into a consolidated subsidiary)
- ALSOK-TW East Japan Co., Ltd.
(April 2017, succeeded security services operations of TelWel East Japan Corporation)
- Keihanshin Security Services Co., Ltd.
(April 2017, formed capital alliance)
- ALSOK KANTO DELIVERY CO., LTD.
(July 2017, succeeded the transportation security services operations of TOBU DELIVERY CO., LTD.)

General Property Management and Fire Protection Services

- Japan Facilio Co., Ltd. (February 2011)
- ALSOK Souei Co., Ltd. (April 2014)
- Nippon Building Maintenance Co., Ltd. (April 2014)

Long-Term Care Services

- HCM Corporation (October 2014)
- ALSOK Care & Support Co., Ltd. (February 2015)
- Wisnet Co., Ltd. (May 2016)

Management Tasks and Initiatives for Realizing Sustainable Growth

ALSOK has continued to provide security services of impeccable quality for the more than 50 years since its establishment. Leveraging its core strengths—its human resources, organizational capabilities, and the reliability recognized by customers and society—the Company is reinforcing its operating foundations with the aim of achieving consolidated net sales of ¥1 trillion and ordinary income of ¥100 billion.

Although conditions are changing rapidly both inside and outside of the Company, we remain committed to creating new value for realizing a safe and secure future for customers and society while simultaneously increasing ALSOK's earnings capacity. By accomplishing these goals, we aim to achieve growth that meets the expectations of all stakeholders.

Management Resources and Expertise Accumulated Over More than 50 Years Since Founding



Core Strengths Fostered by ALSOK

Human resources

Organizational capabilities

Reliability

Eyes Toward the Future

Fiscal Year Ended March 31, 2017

Net sales ¥ **413.3** billion

Ordinary income ¥ **30.3** billion

Target

Net sales

¥1 trillion

Ordinary income

¥100 billion



Steps Toward the Next Stage—Pursuit of Further Growth

Expansion of Consolidated Net Sales

Society is currently faced with many risks, including the threats of terrorism and cybercrimes as well as natural disasters, declining birthrates, aging populations, and shrinking workforces. Against this backdrop, ALSOK believes that one of its obligations is to maintain an accurate understanding of customers' diversifying safety and security needs and to respond to these needs. Fulfilling this obligation will require the Company to augment its crime prevention and protection functions by actively incorporating the latest ICT equipment into its security services operations as well as into its services for protecting children and senior citizens. At the same time, we will contribute to the efforts of national and municipal government bodies to respond to and prevent disasters and to improve national resilience. We will also aid in measures to improve safety on the national and community level, primarily with regard to infrastructure monitoring. Furthermore, ALSOK will aspire to support financial institutions and private-sector companies in light of the impending contraction of the workforce and changes in cash distribution markets. Efforts to this end will not be limited to conventional outsourcing services related to security, ATM management, and other business processes, but will also entail comprehensive support for areas including facility management and office procedures.

We also recognize the extreme importance of leveraging the increased capacity for intra-Group coordination realized through recent M&A activities to provide services that exceed the boundaries of our previous business scope. Based on this recognition, we launched ALSOK Security and Equipment service package, a comprehensive facility and building management service package. This service was born out of the marriage of our security services operations and the equipment management and installation expertise of Group companies. Meanwhile, we have increased the number of individuals using our long-term care services to approximately 12,000 by constructing a system that allows us to provide both in-home and in-facility care services. Going forward, we will continue to create hybrid businesses that merge security services with long-term care services to support senior citizens. Overseas, we have acquired and converted local Indonesian and Vietnamese security services companies into consolidated subsidiaries. As a result, we are now developing overseas security services operations in nine countries centered on Southeast Asia, where we plan to deploy fine-tuned security services of the same caliber as those ALSOK provides in Japan.

Transition to Highly Profitable Structure

The ALSOK Group aims to transition to a highly profitable structure through improved labor productivity and cost management achieved by streamlining business processes.

Seeking to improve productivity in its labor-intensive security services operations, the Company is actively adopting ICT equipment. For example, the mobile dispatch system terminals previously used by ALSOK security guards performing electronic security services have since been replaced with smartphones. As a result, security guards can now operate equipment while viewing images from the incident site and maintenance procedures have been made simpler, contributing to an increase in on-site response capabilities and allowing security guards to multitask. Moreover, smartphones have decreased the amount of time required for routine tasks through means such as enabling work logs to be compiled more easily.

Future initiatives will include encouraging stationed security services staff to acquire qualifications and otherwise improve their skills. At the same time, we will train technicians as multi-discipline engineers to endow them with the skills necessary to perform conventional security equipment installation and inspection tasks while also being able to conduct inspections and maintenance of various other safety and security related devices. Through these efforts, we aim to expand the scope of our activities.

Furthermore, we have been consolidating Guard Centers and other Group facilities and streamlining business processes related to routine work to reduce overtime as part of our efforts to better manage costs. Drastic reforms and improvements to business processes will be implemented going forward, unfettered by existing manuals or past convention, with the aim of realizing ongoing improvements in per employee labor productivity.

CSR Management

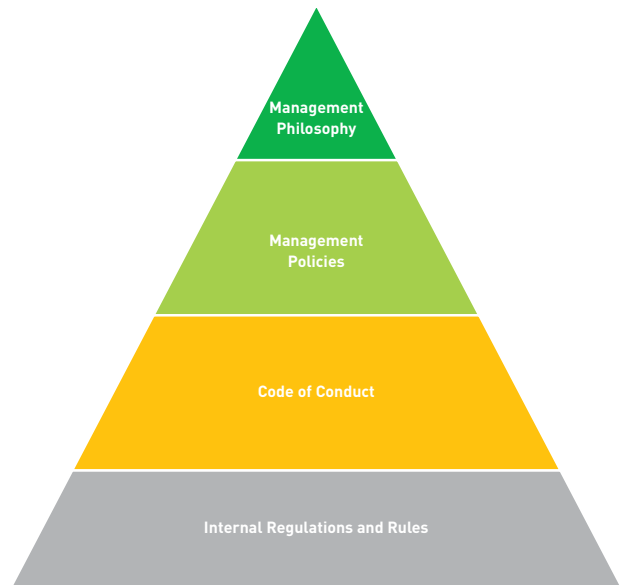
To ALSOK, CSR entails remaining ever mindful of the expectations of customers and society at large and exercising its management philosophy based on the principles of *arigato no kokoro*, an ever-present feeling of gratefulness and gratitude, and *bushi no seishin*, a strong and noble samurai spirit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

ALSOK's CSR Policy

Since its founding in July 1965, the Company has continued to develop its security services business based on its fundamental spirit, which is defined by the two principles set out in its management philosophy of *arigato no kokoro* and *bushi no seishin*, and with a strong sense of commitment to protecting the safety and security of customers and society.

We believe that CSR entails protecting the safety and security of society by contributing to the resolution of the issues faced by customers and society through our business activities. To facilitate this undertaking, ALSOK has established its management policies and code of conduct as well as a framework of internal regulations and rules. 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 internal regulations and rules related to specific issues. Based on these guidelines, we are incorporating CSR activities into all areas of our business operations.



Initiatives for Strengthening and Inculcating the CSR Promotion Framework

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. The office also implements initiatives for strengthening the CSR promotion framework. Moreover, by distributing our in-house quarterly magazine, *ALSOK CSR Newsletter*, and our CSR Activities Guide, we strive to inculcate CSR in all employees.

We also incorporate lectures on basic CSR principles and the importance of CSR into training for newly promoted managers and hold group training sessions to allow employees to think together about how to incorporate CSR activities into our business. Through such efforts, we are working to cultivate a CSR-based mind-set.

Furthermore, we have been conducting CSR activity surveys targeting employees at the Head Office, branches, and all Group companies since 2014. These surveys help us collect quantitative and qualitative information on the state of ESG matters within the Group. Moreover, initiatives such as this provide an opportunity to promote CSR, and CSR awareness has been improving with each coming year as a result.

Since the fiscal year ended March 31, 2015, the Company has published ALSOK Reports, a series of yearly reports that compile, in an easy-to-understand manner, both financial and non-financial information on the ALSOK Group's activities to provide a more integrated view of the link between the Group's business activities and CSR activities. Meanwhile, we provide more robust disclosure of information related to CSR activities and ESG initiatives through our corporate website.

As a result of these efforts, ALSOK has been recognized by external institutions as a company that exercises its social responsibility from an ESG perspective. Such institutions have thus selected the Company for inclusion in various investment indexes.

External Recognition



FTSE4Good

ALSOK has been included in the FTSE4Good Index Series, a socially responsible investment index, for 10 consecutive years.



FTSE Blossom Japan

ALSOK is included in the FTSE Blossom Japan Index, an ESG investment index.



2017 Constituent MSCI Japan ESG Select Leaders Index

MSCI Japan ESG Select Leaders Index
ALSOK is included in the MSCI Japan ESG Select Leaders Index, an ESG investment index.

Initiatives for Realizing Sustainable Improvement in Corporate Value

A keyword for the ALSOK Group is to “protect.”

As ALSOK has proceeded to expand its business while responding to social change, it has kept true to its mission of protecting the safety and security of customers and society, which has remained unchanged since the Company’s founding. Today, we continue striving to live up to the expectations of customers and society by supplying products and services that address diversifying needs and issues. Recognizing the importance of working to secure the talented human resources needed to support our business, we are also avidly building workplaces in which employees can fully exercise their talents. At the same time, ALSOK will aspire to contribute, in its own unique way, to the creation of safer and more secure communities and to the development of these communities.

In 2014, we defined four material CSR themes with the aim of fulfilling our social responsibilities and sharing our social values with

shareholders and other stakeholders. Based on these themes, we will pursue ongoing improvements in corporate value while developing our business.

Moreover, we realize that a large number of the 17 Sustainable Development Goals (SDGs), which were adopted by the United Nations to guide efforts to address global issues, coincide with the CSR activities the Group is advancing with the goal of achieving sustainability.

As it seeks to continue protecting the safety and security of customers and society, ALSOK will broaden its perspective beyond its conventional security services operations to look to the safety and security requiring protection in a wide range of other fields. Adopting this perspective while looking to the future, we will foster wide-ranging innovation as we endeavor to create value for protecting the future.

Relationship Between Four Material CSR Themes and SDGs

<p>Material CSR Theme 1</p> <p>Consumer: Providing Products and Services that Help Resolve Social Issues</p>	<p>3 GOOD HEALTH AND WELL-BEING</p> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>15 LIFE ON LAND</p> <p>17 PARTNERSHIPS FOR THE GOALS</p>
<p>Material CSR Theme 2</p> <p>Labour Practice: Cultivating Human Resources and Building a Comfortable Workplace Environment</p>	<p>3 GOOD HEALTH AND WELL-BEING</p> <p>4 QUALITY EDUCATION</p> <p>5 GENDER EQUALITY</p> <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>10 REDUCED INEQUALITIES</p>
<p>Material CSR Theme 3</p> <p>Community: Contributing to Local Communities through Active Communication</p>	<p>4 QUALITY EDUCATION</p> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>15 LIFE ON LAND</p> <p>17 PARTNERSHIPS FOR THE GOALS</p>
<p>Material CSR Theme 4</p> <p>Operating Practice: Providing Trustworthy Security Services</p>	<p>4 QUALITY EDUCATION</p> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>

Transforming our world: the 2030 Agenda for Sustainable Development

At the United Nations General Assembly held in September 2015, *Transforming our world: the 2030 Agenda for Sustainable Development* was adopted by all 193 UN member states through a unanimous decision.

The agenda defines the SDGs, 17 goals that form an action plan meant to guide the actions of the entire international society in addressing the various issues facing the world from the perspectives of economic, social, and environmental matters up until 2030. The accomplishment of each of the 17 goals is incredibly important to ensuring that everyone can enjoy safety and security in their lives.



Initiatives for Realizing Sustainable Improvement in Corporate Value

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 birthrates, and the tendency toward nuclear families.

Collaborative Services for Protecting Society's Safety and Security Together with Municipal Governments and Companies

Resolution of Social Issues Together with Municipal Governments

The population of Japan is aging to a degree not seen anywhere else in the world, a trend presenting many issues to be addressed by society. In light of this situation, the ALSOK Group has deployed services to watch over citizens and thereby address the issues faced by municipal governments throughout Japan. These issues include the lack of commissioned welfare volunteers and trouble developing emergency reporting systems for responding to population aging.

In addition, ALSOK has developed a framework through which communities can take the initiative in looking after dementia sufferers to prevent such individuals from becoming lost. This system, which utilizes our MIMAMORI Tags, MIMAMORI Tag App, and MIMAMORI Tag Detectors, has been provided to certain municipal governments as part of a verification test targeting the development of regional networks for watching over dementia sufferers. In November 2016, this project was designated as a smart wellness housing test project as promoted by the Ministry of Land, Infrastructure, Transport and Tourism. Currently, the Company is working together with 10 municipal governments throughout Japan to advance initiatives targeting the resolution of issues faced by local communities.

Number of Municipal Governments
using ALSOK's Emergency Reporting
Systems (As of March 31, 2017)

425

Wildlife Damage Countermeasure Services that Help Preserve Satoyama (Village-Vicinity Mountain)

In recent years, damage to crops from deer, boars, and other wildlife has been becoming an increasingly more serious and widespread issue. Catalysts for this major social issue, which leads to damages in the area of ¥20.0 billion each year, include the expansion of areas in which wildlife resides and the decrease and aging of Japan's hunter population.

Traps are being deployed across Japan to catch such troublesome wildlife, but the process of checking these traps and removing the captured animals can place a great burden on municipal government organizations and hunting associations. Accordingly, there is a need to increase efficiency with this regard.

ALSOK provides wildlife damage countermeasure services utilizing trap monitoring devices that send emails to users when a trap is activated.

These services not only reduce the labor burden associated with trapping, but also contribute to quick detection of cases in which traps capture animals that are not harmful or cause injury to humans. In this manner, our services help protect the safety and security of farmers and preserve pristine Satoyama rural areas.



Captured boar

Products and Services for Responding to Natural Disasters and Addressing Aging Infrastructure

Earthquakes and water damage from causes such as concentrated torrential downpours have recently been occurring in high frequencies, posing a very real threat to society. While it may be difficult to predict natural disasters, appropriate response measures can be taken to prevent the spread of disaster damages. ALSOK provides services such as its Underpass Monitoring Service and Flood Prevention Act response solutions to support customers in responding to natural disasters. At the same time, the aging of social infrastructure is also becoming a serious issue. Road surfaces, for example, require appropriate upkeep, but the expensive surveys this upkeep entails place a major burden on municipal governments. ALSOK's road monitoring services, which include road surface monitoring and pavement repair plans, help reduce such upkeep costs while simultaneously contributing to the development of communities in which everyone can enjoy safety and security in their lives.



Vacation Rental Support Solutions Contributing to Security of Communities

Due in part to the measures of the national government's growth strategies, there has recently been a rise in the number of inbound visitors to Japan. New government targets for such visitors have been set, calling for 40 million inbound visitors to Japan by 2020 and 60 million inbound visitors by 2030. Given these targets, increasing the number of lodging facilities in Japan is an urgent task. In light of this situation, the government is preparing to institute a law in 2018 to regulate rental property businesses that entail renting vacant rooms at homes or condominiums on a short-term basis. Important issues faced in these businesses include measures to ensure the safety of lodgers, such as the installation of fire extinguishing and crime prevention systems, as well as measures to protect the safety and security of the surrounding community.

To address these issues, ALSOK provides vacation rental support solutions offering comprehensive support for all aspects of rental property businesses. Through these solutions, ALSOK will install the necessary fire extinguishing equipment, conduct remote monitoring for fires, and supply other fire and crime prevention measures. We also sell and manage the AEDs needed as part of first-aid provisions and perform cleaning services. By providing these solutions, we are contributing to the development of communities in which inbound travelers and residents alike can stay and live with a feeling of security.

Relationship with SDGs



New Products and Services for the Aging Society

Products and Services for Watching Over Elderly Family Members Living Separately

As the number of households comprised solely of senior citizens increases, there is a growing need for services to watch over these individuals. HOME ALSOK MIMAMORI SUPPORT is a service that entails installing control terminals with emergency call buttons that can be pushed to have a security guard rush to the scene at any time of day. These guards will confirm the status of the individual in question and contact family members and also, in the case of an emergency, call paramedics or perform CPR as necessary. In addition, the control terminal has a consultation button that can be pushed to consult our staff about one's health condition, receive information about medical institutions, or ask other questions. We are expanding our line of options for HOME ALSOK MIMAMORI SUPPORT. One such option is the Life Pattern Monitoring Service, which tracks user life patterns and dispatches security guards to investigate the situation should an abnormality be detected. A new service for watching over senior citizens is MIMAMORI Pack, which utilizes MIMAMORI Tags. By installing a MIMAMORI Tag Detector in a senior citizen's home, family members can receive email notifications when the individual has left the house or when abnormalities can be seen in their life patterns, room humidity levels, or other areas. When deemed necessary, family members can request that a security guard be dispatched to the scene, offering an added degree of support for watching over family members living separately.

ALSOK's Vision for Long-Term Care Services

As the population ages, it can be anticipated that the number of people requiring long-term care will increase. In response to this social trend, ALSOK has positioned long-term care services as a new pillar for supporting its business. Customers expect reliability in the long-term care services offered by security services companies, and we are developing our operations in this area with safety and security as our top priority to live up to these expectations. For example, we install security systems at all of the Group's long-term care facilities, and these facilities collaborate with ALSOK offices to carry out evacuation and disaster response drills. In this manner, ALSOK's long-term care service operations will be coordinated with the Company's security services operations to better address the issues faced by the aging society.



Evacuation drill at long-term care facility

Number of ALSOK Long-Term Care Services Bases (As of March 31, 2017)
382

Products and Services Fusing Advanced Technologies and Security Expertise

Ongoing Evolution of ALSOK Zone Security Management

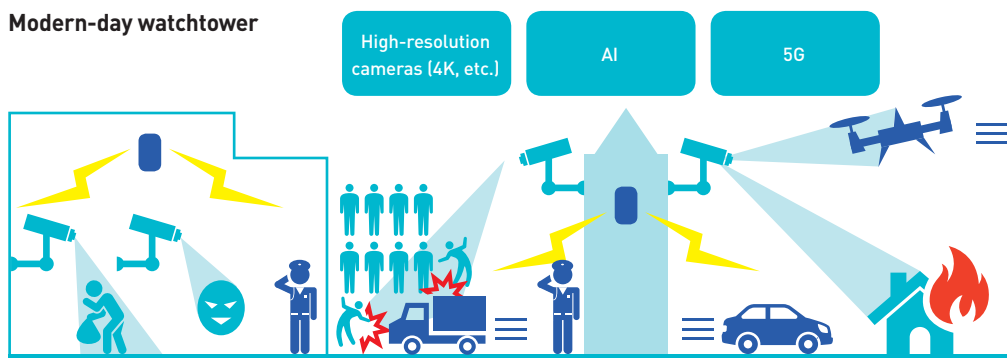
It is becoming increasingly more important to be able to address incidents at facilities and spaces in which large numbers of people gather and to limit the spread of damages from such incidents. There is also a rising need to detect the precursors of crimes so that they can be prevented. At the same time, security operations at large-scale events require security methods that allow for staff to be positioned in the ideal manner and for the operations to be managed efficiently.

To address these needs, the Group offers ALSOK Zone Security Management, a service that combines the security services expertise ALSOK has developed to date with AI and other cutting-edge ICT to deliver high-quality security at appropriate costs. Furthermore, we are engaged in verification tests of security services that can provide monitoring and prevent crimes and accidents throughout entire urban zones, not just the area we are assigned to protect. These services utilize high-resolution cameras taking advantage of the ultra-high-speed, high-capacity fifth-generation (5G) mobile communication

infrastructure of NTT DOCOMO, INC., to establish "modern-day watchtowers" that are able to detect the approach of suspicious drones, wide-spread disasters, and runaway vehicles.

The insight and data acquired through the provision of ALSOK Zone Security Management will be compiled and converted into Company knowledge to drive the further evolution of this service. The aim of this approach is for the Company to develop service platforms capable of furnishing accurate and multifaceted responses to social issues and risks and thereby contribute to the safety and security of society in 2020, the year of Olympic and Paralympic Games Tokyo 2020, and beyond.

Modern-day watchtower



Material
CSR Theme **2**

Labour 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.

ALSOK's Human Resource Development Systems

Development of Human Resources that Embody ALSOK's Philosophy

The ALSOK Group views employees as the most important resource underpinning its business activities. Reflecting this belief, we seek to promote understanding of our management philosophy and entrench this philosophy in the minds of employees. We have thus established a training system to ensure that we put this philosophy into practice in all aspects of our business operations. Specifically, our focus is on developing human resources that can accurately determine changes in the operating environment pertaining to ALSOK and identify social needs and that can execute Company measures guided by this insight. 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 aid such efforts. Through this program, we provide assistance for holding self-development classes, help develop an environment conducive to reading, and implement other initiatives to facilitate the improvement of employee skills and the enhancement of

their ability to perform their duties. We also provide educational materials to education representatives at branches as part of our efforts to cultivate instructors.



Employees listening to lecture at Tokyo Training Center

Proactive Career Development Programs

To invigorate its organization and facilitate human resource development, ALSOK actively conducts personnel exchanges within the Group as well as with central government agencies and other companies. In addition, we recruit security solutions staff for providing security services to Japanese embassies and consulates overseas through an internal open application system and are thereby working to cultivate employees that can function globally. This open application system is used to discover and develop human resources capable of working in and forming the core of not only our mainstay security services operations but also operations in various other fields, such as long-term care services.

We are also advancing a concerted Groupwide effort to increase that percentage of employees that have obtained publicly recognized qualifications. This effort is based on the recognition that various qualifications are required for security services operations. Under the ALSOK Standards, we have established targets for the acquisition of publicly recognized qualifications, and we offer compensation for expenses related to acquiring qualifications along with other support for the aspirations of ambitious employees. Going forward, we will continue to aid in the career development of employees to cultivate human resources that can contribute to improved corporate value.

Aggregate Number of Security Solutions Staff Dispatched to Japanese Embassies and Consulates Overseas (As of March 31, 2017)

715

Healthy Workplace Environments and Diversity

Workplace Environments Built on Respect for Basic Human Rights

ALSOK respects the basic, inalienable human rights with which every-one is born as well as the core labor standards of the International Labour Organization. We are therefore committed to maintaining healthy workplace environments in which employees' human rights are respected. The Company's compliance manual explains, in clear terms, that acts in violation of human rights and excessive labor are forbidden. This fact is made known to all employees.

We have concluded labor-management agreements based on Article 36 of Japan's Labor Standards Act that are designed to ensure the maintenance of a healthy workplace environment, and notification of these agreements have been sent to labor standards inspection offices. Supervisory divisions constantly confirm and monitor work situations to prevent excessive labor. Overseas, we establish work and salary rules based on local regulations, and contracts are concluded in the language of the country in question and are properly managed.

Furthermore, the ALSOK Hotline is in place to address human rights risks by offering an easy-to-use venue through which employees can report human rights violations or harassment.

Promotion of Diversity

ALSOK is creating frameworks to enable diverse human resources to fully exercise their talents to drive the ongoing development of the Company. As the Group expands through M&A activities, it has come to employ approximately 9,000 female employees (including part-time employees). Our efforts to provide these employees with a workplace environment that empowers them led to the Company being certified as an "Eruboshi" company by the Ministry of Health, Labour and Welfare in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace in February 2017.

The Group is also active in promoting the employment of differently abled individuals, with more than 500 such individuals working throughout the Group. In 2010, ALSOK Business Support Co., Ltd., a specially certified subsidiary under the Act on Employment Promotion of Persons with Disabilities, was established as part of our efforts to normalize the presence of differently abled individuals in the workplace. Furthermore, we have implemented a Groupwide framework to rehire employees that have undergone mandatory retirement and place them in the ideal position. Effectively utilizing the skills of employees that would have otherwise retired is contributing to improved productivity.



"Eruboshi" certification mark awarded by the Ministry of Health, Labour and Welfare

Relationship with SDGs



Work Style Reforms and Work-Life Balance

ALSOK's Work Style Reforms

For a company to continue to grow, its employees must have fulfilling professional and private lives and its workplace environment must energize these employees in their work. ALSOK is looking to improve operational efficiency and heighten labor productivity so that it can reduce overtime work and encourage employees to use paid vacation days.

The security services business is a labor-intensive business as security guards must be on call to be dispatched to customer premises at all times of day. Accordingly, it is difficult to reduce overtime work, especially considering the recent shortage of labor. Nevertheless, we are dedicated to alleviating the burden placed on our employees. Efforts to this end include revising security guard shifts and assignments and promoting efficiency in work processes. In addition, we are engaged in R&D ventures targeting the creation of new services utilizing AI and the IoT. We anticipate that such services will require less staff to provide while simultaneously realizing higher quality. Other initiatives include consolidating processes, holding twice-weekly "no overtime" days, ending work early on the last Friday of each month, and turning off Company lighting at 9PM (excluding on-site work-related divisions). Maintaining our respect for employees' private lives, we will continue to implement work style reforms that are distinctly ALSOK in order to grow our business.

Work-Life Balance

ALSOK has implemented various internal systems that make it possible for employees to balance their work and their family with peace of mind. To remove obstacles to female employees realizing their potential, we encourage them to take leave during pregnancy and after childbirth. We also provide childcare and long-term care leave and shortened working hour systems that go above and beyond the legal requirements. The Group is thereby creating a workplace environment in which women can develop their careers in the same manner as men. Out of recognition for these systems, the Company was certified by the Tokyo Labour Bureau of the Ministry of Health, Labour and Welfare as a company having supportive child-raising systems in 2010 and 2015. ALSOK also seeks to encourage men's participation in childrearing. For this reason, we increased the amount of special leave days available to men when their spouse gives birth to five in April 2016. Other support systems for use in conjunction with employee life stages include reemployment systems for employees that have resigned for childbirth, parenting, or long-term care reasons.



"Kurumin" mark identifying companies with supportive child-raising systems

Average Number of Years of Continuous Service (Non-consolidated, as of March 31, 2017)

Men 16.1
Women 14.7

Improvement of Occupational Health and Safety Management and Employee Satisfaction

Management of Employee Health

Ensuring occupational health and safety and helping employees maintain sound physical and mental health is vital to a security services company. Accordingly, ALSOK has established occupational health and safety committees at all offices and formulated targets for preventing occupational accidents. We are also developing and instituting occupational health and safety education programs. Through these efforts, we seek to ensure safe workplaces and healthy employees. In addition, ALSOK is a partner to the Ministry of Health, Labour and Welfare's Action Plan for Companies Promoting Cancer Prevention program. We thus incorporate more extensive tests into regular health examinations and enable screenings for multiple cancer types to be conducted simultaneously. We also hold the Hustle Weight Loss Game limited-period event each year to support employees in managing their health by providing them with an enjoyable way to address lifestyle diseases. Furthermore, the ALSOK Support Line, a mental health help desk, has been established to offer flexible responses to the concerns of employees and their families (currently available at 44 Group companies).



Employee undergoing regular health examination conducted at ALSOK's Healthcare Management Office

Frameworks for Gathering Employee Feedback

Communication within a company is crucial to building a comfortable workplace environment. ALSOK periodically provides opportunities for employees and senior managers to exchange opinions in order to stimulate communication within the Company. In the year under review, 112 Employee Satisfaction Meetings were held, and some of the opinions and requests solicited from employees were incorporated into internal measures. In addition, a discussion was held between female managers and President Aoyama, during which opinions were shared regarding means of supporting the contributions of female employees. Several ideas put forth were incorporated into diversity promotion efforts.



President Aoyama engaged in discussion with female managers

ALSOK has been conducting annual employee surveys since 1999 to investigate matters that include employee thoughts regarding management, work, and workplaces as well as employee opinions of the Company's various internal systems. Survey results are relayed to employees through the internal newsletter and are used as the basis for new measures for improving employee satisfaction.

Material
CSR Theme **3**

Community:
Contributing to Local Communities through Active Communication

To give form to *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.

Contributions to Safer and More Secure Communities

ALSOK ANSHIN KYOSHITSU

With the aim of responding to the requests and expectations of local communities for safety and security, the ALSOK Group dispatches its employees, who are safety professionals, to elementary schools throughout Japan to conduct the ALSOK ANSHIN KYOSHITSU program. This program teaches children crime prevention and first-aid skills. We hope that these classes will provide opportunities for children to learn about crime prevention and the preciousness of life. In addition, we share our crime prevention education expertise with teachers and parents. Through this program, it is our goal to protect the smiles of as many children as possible. We have been implementing this program for 13 years, over which 42,842 classes have been performed at 10,098 elementary schools and attended by upwards of 1,333,000 students (as of March 31, 2017).



ALSOK ANSHIN KYOSHITSU class

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

The ALSOK Group carries out volunteer crime prevention patrols using vehicles with revolving blue lights. In addition, employees patrol the routes used by elementary school students when commuting to and from school. Other crime prevention activities closely linked to local communities are also conducted on a Groupwide basis. Furthermore, we hold the ALSOK HOTTO LIFE KOZA, a class for senior citizens to teach them how to avoid crimes targeting their age group, as well as the ALSOK Women’s Crime Prevention Seminar, which teaches women techniques for defending themselves from crime. Amidst the frequent occurrence of crimes preying on senior citizens and women, these classes provide a feeling of safety and security in people’s everyday lives. Overseas, meanwhile, we participate in the KIZUNA EKIDEN series long-distance relay races in Indonesia and Thailand. These events are meant to foster exchanges between people in Japan and these countries. At these events, we supply AEDs and provide support in the form of emergency aid when necessary.

Number of ALSOK ANSHIN
KYOSHITSU Classes Held
(Fiscal year ended March 31, 2017)

2,880

Number of ALSOK HOTTO LIFE
KOZA Classes Held
(Fiscal year ended March 31, 2017)

79



ALSOK HOTTO LIFE KOZA class

Social Contributions and Patronage of Culture and the Arts

ALSOK ARIGATO UNDO

The ALSOK ARIGATO UNDO movement was launched by ALSOK’s founder Jun Murai in 1967 as an embodiment of the *arigato no kokoro* principle, which is part of our fundamental spirit. Since its start, the movement has been funded by contributions and donations from employees and executives at the Company and Group companies that concur with its objectives. Now the movement is entrusted to the ALSOK ARIGATO UNDO Foundation, which was certified as a nonprofit organization in October 2016. Following this change, in addition to members of ALSOK, the movement has also come to be funded by contributions and donations from individuals outside of the Company, which help it support social welfare, disaster relief, and a wide range of other activities. 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. As of March 31, 2017, the ALSOK ARIGATO UNDO movement had donated 100 welfare vehicles.



Donated welfare vehicles

Aggregate Number of Welfare
Vehicles Donated through
ALSOK ARIGATO UNDO
(As of March 31, 2017)

100

ALSOK’s Patronage of Culture and the Arts

ALSOK’s business finds the Company providing security services to protect historical buildings and natural heritage sites that have been designated as World Heritage Sites. In addition, the Group makes donations to support the continuation of traditional events, encourages employees to participate in these events to contribute to their success, and otherwise practices patronage of local culture and arts. One of the Company’s club activities is the ALSOK SHISHIMAI (Lion Dance) CLUB. Members of this club receive instruction from a master of the Daikagura lion dance and perform their dance at customer companies and events around the New Years’ season. This club’s activities have been certified as a “This is MECENAT” activity by the Association for Corporate Support of the Arts out of recognition of how these corporate activities contribute to enriching society through culture and the arts.



Lion dance performed by ALSOK SHISHIMAI CLUB



Relationship with SDGs



Support for Sports Activities and Education

Support for the Cultivation of Athletes and Promotion of Sports

Through sports, ALSOK strives to heighten team spirit among employees and thereby further the development of its business. The Company holds annual nationwide internal tournaments for its Company sports: judo, kendo, and ALSOK self-defense techniques (kendo and ALSOK self-defense techniques are held in alternating years). In addition, the Company currently has a total of 10 sports clubs, including its prestigious judo club as well as its wrestling, weight lifting, marksmanship, and track and field clubs. These clubs have contributed to promoting sports in Japan by producing numerous Olympic athletes and world champions. In addition, employees from ALSOK's various branches and Group companies contribute to community growth by supporting the healthy development of children and promoting sports through judo and kendo workshops and instruction on futsal, basketball, and track and field events offered for children in the community.



Sohgo Security Alliance kendo tournament

Work Experience Program and Exhibitions at Education Events

Together with Future Innovation Forum, an organization that collaborates with companies to advance social contribution activities, ALSOK holds an annual work experience program for elementary school students. Held in 2017, the fifth iteration of this program was based on the theme of security of the future merging people with IT. Students participating were given the opportunity to experience the security of the future and the cutting-edge technologies it will employ. Also, in March 2017, ALSOK held an exhibit at Manabi no Fes 2017 Spring, an annual hands-on education event for elementary schools sponsored by The Mainichi Newspapers Co., Ltd. This exhibit allowed attendees to experience the latest ALSOK technologies and included a demonstration of how the face recognition function of the REBORG®-X security robot can be used to follow individuals.

ALSOK forges partnerships with other companies through these activities while also providing opportunities to learn about the frameworks protecting the safety and security of society. We hope these efforts will help protect children in both the present and the future.



Security robot exhibited at Manabi no Fes 2017 Spring

Partnerships for Supporting Disaster Relief

Ongoing Afforestation Activities at Disaster-Stricken Areas

The Hasunuma coastline in Sammu City, Chiba Prefecture suffered severe damage as a result of the Great East Japan Earthquake. In 2015, we conducted afforestation activities, planting 2,000 Japanese black pine saplings in this area in collaboration with the NPO Laboratory of Earth Conscious Life as part of our social contribution initiatives commemorating ALSOK's 50th anniversary. The aim of these activities was to help preserve the coastline environment and revive a forest that had previously played a part in limiting disaster damages. After planting saplings, it is necessary to clear nearby underbrush for at least five years in order to ensure their healthy development. Such activities were carried out for the third time in July 2017; more than 80 employees and family members

participated in removing the thick undergrowth. In addition to helping preserve the environment, this afforestation initiative will contribute to safety and security by helping limiting disaster damages. This can truly be said to be a social contribution activity characteristic of ALSOK. We intend to continue such activities in the future, never forgetting the devastation caused by the Great East Japan Earthquake.



Employees and family members conducting weeding

Ongoing Support to Regions Impacted by the Great East Japan Earthquake

Following the occurrence of the Great East Japan Earthquake, ALSOK Group employees immediately headed to the heavily impacted regions, where they proceeded to provide support for maintaining order along with other aid for the people of these regions. We are currently participating in disaster relief coordination projects spearheaded by Japan's Reconstruction Agency. Through these projects, we contribute to community building by holding ALSOK HOTTO LIFE KOZA classes to teach disaster victims living in public housing about crime prevention and first-aid techniques. Also, in March 2017, ALSOK announced that it would once again participate in the "Watashitachi wa Wasurenai (We Will Never Forget)" campaign implemented by the Japanese Red Cross Society. ALSOK displays the campaign's sticker on all security vehicles used in its business activities to help keep the memory of the earthquake alive.



Campaign sticker displayed on security vehicle

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 are advancing various initiatives in relation to these matters.

Stringent Compliance

Focus on Compliance

The Company has established the Compliance Committee, which is headed by the executive officer in charge of compliance. The committee strives to spread and install an unwavering awareness of compliance in all executive officers and employees based on the compliance rules formulated in 2002, and periodically verifies the status of compliance in business and other activities. In addition, Groupwide training sessions are held to provide education centered on fostering understanding of ALSOK’s management philosophy and corporate ethics with the aim of promoting compliance throughout the Group.

Compliance-Related Campaigns in the Fiscal Year Ended March 31, 2017

Period	Theme
Apr.–May	Education on compliance (basic)
Jun.–Jul.	Education on compliance (case studies)
Aug.–Sep.	Thorough labor management to prevent excessive work hours and unpaid overtime
Oct.–Nov.	Compliance with business-related laws (Act against Unjustifiable Premiums and Misleading Representations and Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors)
Dec.–Jan.	Prevention of information leaks through appropriate use of information systems
Feb.–Mar.	Prevention of insider trading

ALSOK Hotline

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. The ALSOK Hotline is based on the principles of the protection of the reporter, the prevention of detrimental treatment, and the ability to report anonymously and is thus able to safeguard corporate value by ensuring that illegal or improper conduct is quickly detected.

We view compliance as an important issue needing to be addressed on a Groupwide basis. As of March 31, 2017, the ALSOK Hotline was available to employees of 63 Group companies. In addition, the hotline was expanded on April 1, 2016, to include a venue for consultation with a third-party institution in addition to the prior internal reporting venue. We have also prepared ethical education booklets, include those detailing ALSOK’s approach toward corporate ethics and methods for preventing harassment and improper conduct. These booklets are distributed to employees as part of our efforts to ensure strict compliance.

Measures for Protecting and Managing Information Assets

Basic Policies for Information Security

The ALSOK Group receives important 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, the ALSOK Group 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. In these ways, we ensure that personal information is properly protected.

Furthermore, aiming to reinforce 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, 2017, 16 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 serious information security breaches.

Reinforcement of Information Security

The ALSOK Group conducts periodic security diagnosis of all systems necessary for providing services and all internal systems. We have also constructed frameworks that allow security measures to be implemented immediately should threats to information security be detected. In addition, internal drills are instituted to ensure that employees are able to respond appropriately to ever-changing cyberattacks as part of our efforts to quickly detect threats and prevent their damages from spreading.

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



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

Relationship with SDGs



Improvement of Security Services Quality and Customer Satisfaction

Initiatives for Improving Quality

ALSOK has continued to hold the Sohgo Security Alliance Quality Improvement Tournament since 2010 to encourage employees to improve their skills, and subsequently security services quality, and to increase customer satisfaction.

The seventh annual tournament, held in November 2016, expanded upon the belongings searching competition, which is designed to help prepare for access management operations at large-scale events, by introducing a new Chinese-language service category in addition to the existing English-language service category. The event also saw a completely new competition: a telephone manner contest aimed at improving service quality from the perspective of customers. A total of 222 employees advanced from preliminary tournaments held across Japan to put their skills, which had been honed through daily operations, to the test in the main tournament's 17 events.

Since 2016, presentations of quality improvement initiatives at ALSOK Group long-term care service companies have been held to promote initiatives for improving service quality and customer satisfaction in the long-term care services business.

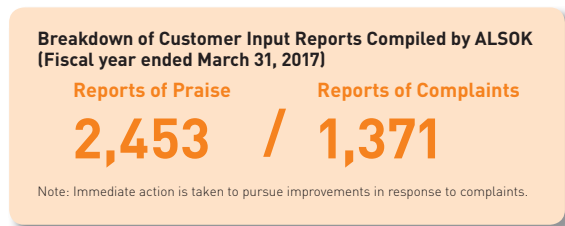


Foreign-language service competition simulating security service operations at events

Enhancement of Customer Service

We strive to reflect both positive and negative opinions, requests, and feedback from customers in our security services. To accomplish this, we compile customer input on a daily basis and issue reports to the relevant officers and to the president. In addition, improvements are pursued through awareness-raising activities and guidance by related divisions. Compiled customer input reports are also displayed on the Company intranet to share this information with all employees.

Furthermore, presentations of customer service improvement activities are held to identify offices that have been particularly successful in enhancing customer service and to report on the results of these activities. Awards are presented to offices conducting exemplary initiatives to encourage further service quality improvements.



Business Continuity Initiatives

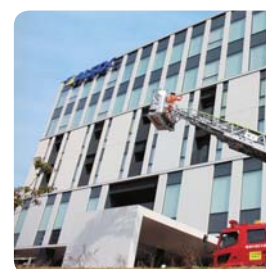
Business Continuity—A Crucial Concern for Security Companies

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.

The Company has established a business continuity plan (BCP) in preparation for a wide range of potential disruptions, such as major earthquakes, typhoons, and other natural disasters; system malfunctions; and outbreaks of new strains of influenza. Based on this BCP, we acquired certification under ISO 22301, the international standard for business continuity management systems (BCMSs), in March 2014. The Company remains vigilant in implementing ongoing improvements, such as introducing terrorism as a new threat its BCP must address, to ensure preparedness for all potential risks. Under the BCP, a disaster response correspondence office is to be promptly established in cases when the damages of a natural disaster threaten to spread or when a disaster warranting Company response has been predicted. Once this office is set up, we strive to gather information and secure the necessary staff. Such offices were formed 11 times in the year under review as necessary to respond to natural disasters, including earthquakes and typhoons, and we were thereby able to provide swift responses to these disasters.

BCP Drills in Preparation for Emergencies

Natural disasters cannot be prevented. For this reason, it is crucial for ALSOK to be able to effectively carry out its BCP and quickly resume operations when disasters strike. Regular drills are required to ensure these capabilities. The ALSOK Group conducts comprehensive disaster response drills to prepare for natural disasters twice a year and also institutes drills on assembling employees via travel by foot and safety confirmation drills to ensure preparedness for any emergency. In addition, individual offices prepare for emergencies by creating their own disaster manuals based on the characteristics of their region. Offices also coordinate disaster response drills with community members and otherwise partner with the community to increase its disaster resilience.



Comprehensive disaster response drill



Disaster response drill conducted together with the community

Consideration for the Global Environment

Global environmental concerns are common issues for all of humanity. Based on this recognition, ALSOK is working to reduce the environmental impact of its operations and has set goals for CO₂ emission reductions and other environmental indicators. We are also engaged in initiatives to address climate change and preserve the natural environment. The Company shapes such initiatives based on the United Nations Framework Convention on Climate Change and other global consensus and targets.

Initiatives to Address Global Environmental Issues

Environmental Management and Environmental Initiative Promotion Systems

Recent years have seen an increased movement to establish global consensus and targets related to the environment, including the United Nations Framework Convention on Climate Change and the Paris Agreement, which was negotiated at the 2015 United Nations Climate Change Conference. In April 2006, ALSOK established the Green Purchasing Guidelines to guide it in developing its business while exercising a greater degree of responsibility for global environmental issues. We coordinate with suppliers and business partners in a drive to step up environmental preservation initiatives that encompass the manufacturing, use, and disposal stages of our products' lifecycles. Furthermore, the Company established environmental policies and acquired ISO 14001 certification for certain operating sites in 2016 to help realize a sustainable society. The Environmental Committee plays a central role in implementing a plan-do-check-act cycle with regard to our environmental management system in order to promote eco-friendly action on a Companywide level.

Organizational structure	Role and duties
Environmental Management Committee	<ul style="list-style-type: none"> • Discussion and approval of environmental preservation plans • Discussion and approval of ISO 14001 certification acquisition plans • Discussion and approval of reporting frameworks for the Board of Directors related to complying with Japan's Corporate Governance Code • Examination of other environmental matters as determined necessary by chairperson (including sustainability initiatives)
Environmental Management Subcommittee	<ul style="list-style-type: none"> • Discussion and proposal of environmental preservation plans and institution of related surveys • Discussion, planning, and proposal of reporting frameworks for the Board of Directors related to complying with Japan's Corporate Governance Code and institution of related surveys • Examination of other environmental matters as determined necessary by chairperson (including sustainability initiatives)
ISO 14001 Certification Subcommittee	<ul style="list-style-type: none"> • Discussion, formulation, and proposal of ISO 14001 certification acquisition plans and institution of related surveys • Discussion, planning, and proposal of integrated certification acquisition plans for the ALSOK Group and institution of related surveys • Examination of other matters related to ISO 14001 certification acquisition as determined necessary by chairperson

Green Purchasing Guidelines

ALSOK endeavors to use resources more effectively in the security equipment it employs and to limit waste. At the same time, the Company coordinates with business partners to promote environmental preservation initiatives that encompass the manufacturing, use, and disposal stages of its products' lifecycles
 Website: <http://www.alsok.co.jp/company/info/green.html> (Japanese only)

Environmental Policies

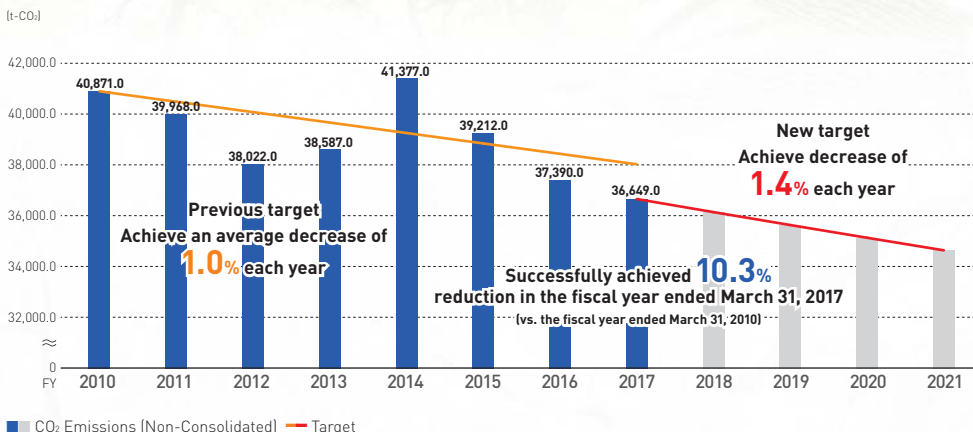
As a leader in providing security and other related services, ALSOK recognizes that global environmental concerns are common issues for all of humanity. Exercising the principles of *arigato no kokoro* and *bushi no seishin* described in its management philosophy, the Company formulates environmental policies and institutes ongoing improvements to its environmental management system to contribute to the realization of a sustainable society.
 Website: http://www.alsok.co.jp/company/info/environmental_policy.html (Japanese only)

New Environmental Targets

Humanity is currently facing global warming and the loss of diversity arising from deforestation and ocean pollution. In light of this situation, the Japanese government has announced its Plan for Global Warming Countermeasures. With the fiscal year ended March 31, 2014, as the base year, this plan puts forth a medium-term target of achieving a 26% reduction in total greenhouse gas emissions by the fiscal year ending March 31, 2031, and a long-term target of accomplishing an 80%

reduction by the fiscal year ending March 31, 2051. Following this example, ALSOK set a new short-term target—achieve a year-on-year decrease of 1.4% in CO₂ emissions each year leading up to the fiscal year ending March 31, 2021. We also set a new medium-term target—achieve a 26% reduction for the fiscal year ending March 31, 2031, from the level seen in the fiscal year ended March 31, 2014—and a new long-term goal of reducing CO₂ emissions by 80% of this year's level by 2050.

CO₂ Emissions Reduction Targets and Performance Leading Up to the Fiscal Year Ended March 31, 2017, and New Short-Term Target



Medium-Term CO₂ Emissions Reduction Target for the Fiscal Year Ending March 31, 2031
Achieve 26% reduction
 (vs. the fiscal year ended March 31, 2014)

Relationship with SDGs



3R and Energy Conservation 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 also reuse and recycle various types of equipment. For example, articles to be disposed of at branches in the Tokyo metropolitan area are accumulated at our repair center in Shin Yokohama, which categorizes, repairs, ships, and properly disposes of or recycles these items. In the year under review, the average ratio of items reused at all branches across Japan came to approximately 31% as a result of these initiatives. In addition, the rechargeable nickel-cadmium batteries used in our various power supply equipment are recycled for reuse, and approximately 23,000 batteries were recycled in this manner during the year under review, making further contributions to the reduction of our environmental footprint.

Mindful that we have many offices, facilities, and vehicles for business use throughout Japan, we are making a concerted effort to reduce electricity usage and vehicle fuel consumption volumes. In the fiscal

year ended March 31, 2017, we worked to cultivate a mind-set focused on electricity conservation among employees while 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 20% reduction in fuel usage and a 10.2% reduction in electricity usage in comparison with the fiscal year ended March 31, 2010, the base year for reduction targets as defined by the revised Act on the Rational Use of Energy.

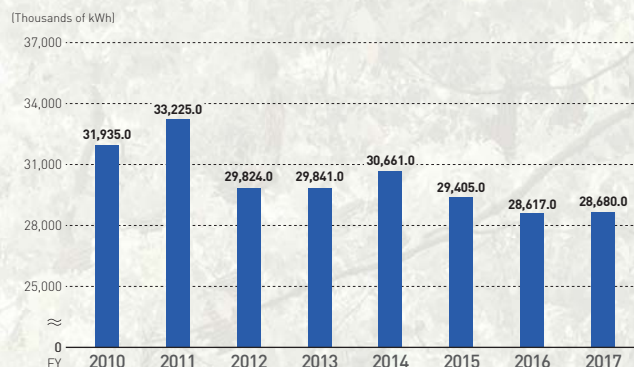


Repair center



Bicycle introduced to reduce fuel usage

Electricity Consumption



Column

The ALSOK Group's Environmental Preservation and Biodiversity Protection Initiatives

The ALSOK Group is implementing various initiatives to address climate change and preserve the environment.

Groupwide initiatives for reducing CO₂ emissions include introducing eco-friendly vehicles into our fleet and using bicycles for transportation in urban areas. In addition, we conduct afforestation activities to protect forests and also position greenery on the roofs of our buildings and install flower planters to help preserve the local environment. Furthermore, employees volunteer to take part in various events aimed at preserving the pristine natural environment and protecting biodiversity. Examples of these events include those for tending to unused farmland, cleaning up rivers and beaches, and planting and harvesting rice to preserve traditional Satoyama (Village-vicinity mountain) rural areas. We also donate to and assist in environmental preservation activities spearheaded by municipal governments and NPOs to support initiatives by such organizations.

In the year under review, ALSOK became the first company to donate to the special environmental fund created by the Environmental Restoration and Conservation Agency. This fund is meant for corporate sponsors and is designed to contribute to this agency's initiatives for creating an environmental legacy and

inspiring a citizen-driven environmental preservation movement leading up to the Olympic and Paralympic Games Tokyo 2020. The Group will continue aiding the activities of the NGOs and NPOs to support the Olympic and Paralympic Games Tokyo 2020 from an environmental perspective.



Volunteer cleanup activities along Enoshima coastline in Kanagawa Prefecture



ALSOK President Yukiyasu Aoyama (left) and Environmental Restoration and Conservation Agency President Mitsuhiro Fukui (right)

Corporate Governance

Basic Policies and Systems

Based on its management philosophy exemplified by the principles of *arigato no kokoro* (a feeling of gratefulness and gratitude) and *bushi no seishin* (a samurai spirit), ALSOK devotes itself to protecting the safety and security of its customers and of society as a whole. The ALSOK Group also advocates “contributing to society” as one of its management policies. 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.

Observation of Japan’s Corporate Governance Code

The Company observes the principles put forth by Japan’s Corporate Governance Code, which was formulated by Tokyo Stock Exchange, Inc., using these policies as guidelines for corporate governance and carrying out detailed inspections and reviews of organizational structures. In addition, we submit a Corporate Governance Report to the Tokyo Stock Exchange, Inc. on a yearly basis and post this report on our corporate website (in Japanese only). This report contains information on our efforts to observe the Corporate Governance Code.

Going forward, we will continue to examine possible measures for our various systems in order to create an organizational structure that features more effective corporate governance, incorporating social trends as part of this endeavor.

Overview of Corporate Governance Systems and Reasons for Adoption

The Company has adopted the Company with Audit & Supervisory Board structure described in the Companies Act of Japan. By implementing the following systems, the Company affirms that effective and complete audits are conducted by Audit & Supervisory Board members and that management is being appropriately governed. The Company has appointed 12 directors, three of which are outside directors, and four Audit & Supervisory Board members, three of which are outside Audit & Supervisory Board members. The Board of Directors meets once a month, in principle, to decide on basic management policies and important matters pertaining to operational execution and to supervise the execution of duties by directors and executive officers. The Management Committee, which is chaired by the chairman and representative director, meets twice a month, in principle, to determine the agenda items to be presented to the Board of Directors and to discuss the operational execution policies formulated based on Board of Directors’ decisions. The Audit & Supervisory Board meets once a month, in principle, to discuss and make decisions based on reports on important matters related to audits. One Audit & Supervisory Board member attends meetings of the Management Committee to provide appropriate oversight for management.

We have adopted the current system based on the judgment that it effectively ensures the impartiality and transparency of management.

As stipulated in Clause 1, Article 427, of the Companies Act of Japan, outside directors and outside Audit & Supervisory Board members have entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Clause 1, Article 423, of the Companies Act. Amounts of liability under this agreement shall be the higher amount of ¥10 million and the minimum amount of liability designated by Clause 1, Article 425, of the Companies Act. These provisions ensure that outside directors and outside Audit & Supervisory Board members can effectively perform their expected duties.

Corporate governance system	Company with Audit & Supervisory Board
Chairman of the Board of Directors	Chairman and Representative Director
Number of directors	12 (of whom 3 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	38%
Number of independent directors / Audit & Supervisory Board members	6
Number of meetings of the Board of Directors and attendance by outside directors and Audit & Supervisory Board members in the year under review	14 times Outside directors: 2 attended 100% of meetings Outside Audit & Supervisory Board members: 3 attended 100% of meetings
Number of meetings of the Audit & Supervisory Board and attendance by outside Audit & Supervisory Board members in the year under review	18 times 3 attended 100% of meetings

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

Outside directors and outside Audit & Supervisory Board members are assumed to cover the functions of observation and supervision of the management team with objective and neutral standpoints. Also, we do not set any basis or policy concerning independence for appointing outside directors and outside Audit & Supervisory Board members, although we refer to requirements of independent officers fixed by the Tokyo Stock Exchange, Inc.

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 the day prior to the meeting, allowing them to more effectively monitor management. 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.

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.

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.

The Company employs three outside directors and three outside Audit & Supervisory Board members; applications have been submitted to the Tokyo Stock Exchange, Inc., identifying each of these individuals as independent officers.

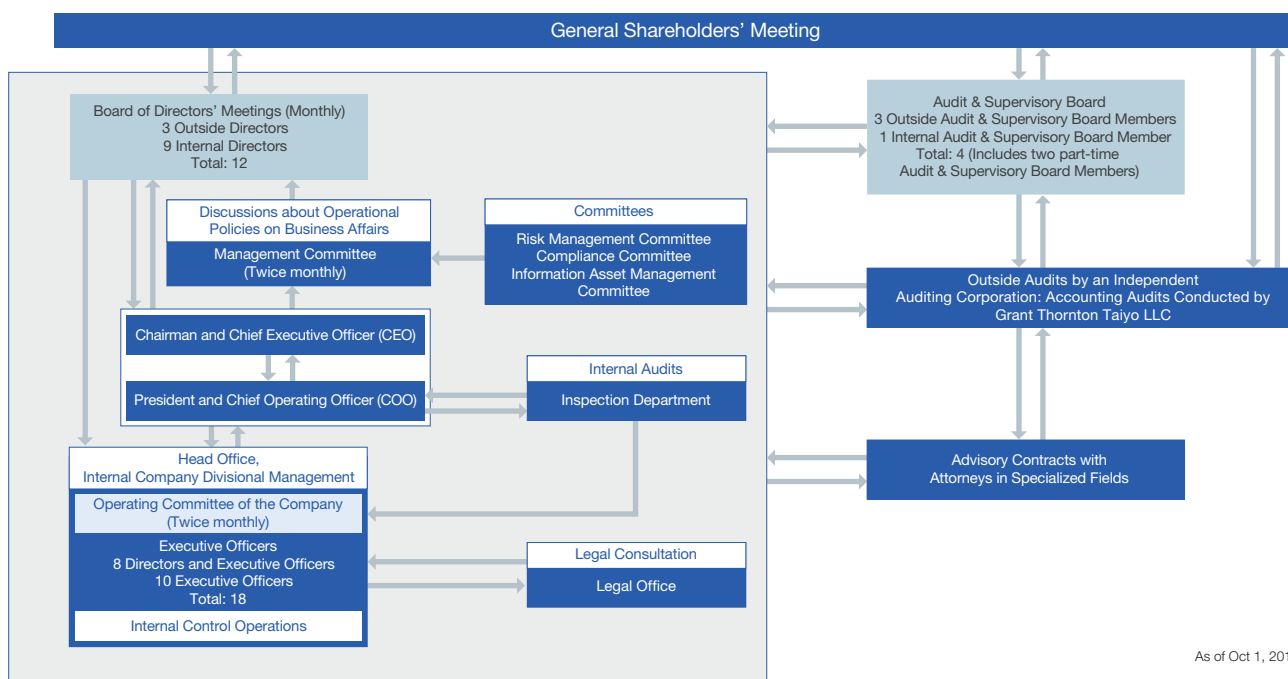
Compensation for Directors and Audit & Supervisory Board Members

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 the 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 exact amounts of compensation of directors are made by the Board of Directors.

The compensation of Audit & Supervisory Board members is paid as a fixed amount, and the exact amounts of compensation are decided in accordance with standards set by the Audit & Supervisory Board.



As of Oct 1, 2017

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 its 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, 2017, 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, to promote legal 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 periodically verifies the status of compliance in business and other activities. Furthermore, the Company conducts activities to promote compliance on a Groupwide basis. Moreover, together 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 executive officers and employees to report any illegal, inappropriate, or unethical behavior they may witness via email, telephone, or written statement without fear of suffering disadvantageous treatment. On April 1, 2016, the Company established an external reporting hotline to add to the already existing internal hotline.

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 Companywide risk management activities, such as the identification and evaluation of

risks and the formulation of preventative measures and countermeasures. The Risk Management Committee also contains subcommittees for risks in specific areas. These subcommittees gather information on the risks in their designated area, analyze and evaluate these risks, and draft measures to mitigate these risks. 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.

The Legal Office exists to respond to lawsuits, legal disputes, and other legal risks, which it does while coordinating with the relevant operating divisions. Moreover, the Company has formed consultant contracts with seven law firms, ensuring that it can receive appropriate advice and guidance for responding to major legal and compliance issues and thereby helping prevent the actualization of risks. By maintaining compliance while receiving such counsel, we are involving lawyers in the Company's corporate governance systems.

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 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/>



Messages from Outside Officers

Contribution to Sustainable Corporate Value Growth for the ALSOK Group

Masakazu Iwaki
Outside Director



I spent 29 of my 45 years at Nippon Steel Corporation (Currently NIPPON STEEL & SUMITOMO METAL CORPORATION) at steel manufacturing sites, where I was constantly forced to face risks head-on in my work.

When I became an outside director at ALSOK, I instantly felt a strong connection with the Company as it too was facing risks head-on in its quest to protect the safety and security of society. The principle of *arigato no kokoro* contained in ALSOK's management philosophy also left a strong impression on me as it coincided with the feeling of gratitude I have maintained toward colleagues and customers in my work up until this point. The just, upright, and disciplined approach toward management encapsulated in the principle of *bushi no seishin*, another element of the management philosophy, similarly matched up with my own personal creed.

The Company's corporate governance systems are incredibly transparent, with an atmosphere that encourages outside officers to openly voice opinions, and established sincere frameworks for incorporating this input into management.

ALSOK has been achieving rapid growth under the strong leadership of its management. In addition to this growth, the Company has added a new element of flexibility to its robust management structures by encouraging active communication between management and other Company divisions.

I see it as the duty of outside directors to adopt an objective and impartial perspective and exercise foresight in judging the organization of the Company. Moreover, I pledge to remain always mindful of ALSOK's various stakeholders and to contribute to ongoing corporate value growth for the ALSOK Group by offering advice from a forward-looking perspective.

Rising Importance of Reinforcing Groupwide Governance

Makoto Uenoyama
Outside Audit & Supervisory Board Member



The frameworks and rules of the Company are being effectively managed, making for exceptionally effective internal controls on a non-consolidated basis. However, society is increasingly expecting companies to exercise governance on a groupwide basis that extends to their subsidiaries. Whether in Japan or overseas, there exists the very real threat of insufficient governance of subsidiaries leading to accidents or scandals. The ALSOK Group has recently been acquiring companies through M&A activities and it also possesses overseas subsidiaries. It is therefore incredibly important for the Group to reinforce governance based on a "corporate conglomerate" mentality that includes such companies.

A top-down approach is insufficient for reinforcing Groupwide governance; a bottom-up approach is also necessary. In tackling this task, it will be crucial for both the executive management team and the Audit & Supervisory Board members to perform their roles.

I wholeheartedly believe that a company cannot become stronger if its operating divisions, its frontline operations, do not also become stronger.

Audit & Supervisory Board members are tasked with the important mission of performing audits to ensure the appropriateness of the operational execution function of the directors. The effectiveness of operation execution can be judged by looking at the effectiveness of operating divisions. For this reason, I see my role as going beyond

attending meetings of the Board of Directors. As an Outside Audit & Supervisory Board member, it is vital that I frequently visit the frontlines to maintain an understanding of both front-line operations and management. It is also my duty to report input from the frontlines to management based on this understanding. The Company provides time at a meeting of the Board of Directors once every six months for Audit & Supervisory Board members to report on the issues and requests they have uncovered at the Head Office and at business sites. There are some issues that can be addressed immediately and others that require time, and addressing these issues on an ongoing basis will no doubt lead to increased corporate value for the Group. I am committed to contributing to this increase in my capacity as an Outside Audit & Supervisory Board member.

Directors, Audit & Supervisory Board Members, and Executive Officers

As of June 30, 2017



Back row, from left

Ikuji Kayaki

Director
Senior Executive Officer
Security Operations
Structural Reform of Transportation
Security Services

Masashi Terao

Director
Senior Executive Officer
Deputy Chief Officer of Business
Promotion Division
West Japan

Hiraku Otani

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

Kiyomi Hara

Director
Executive Vice President
Chief Officer of Business Promotion
Division
East Japan

Front row, from left

Makoto Uenoyama

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

Seiei Ono

Director (Outside Director)

Yutaka Takehana

Director (Outside Director)

Atsushi Murai

Chairman and Representative Director
Chief Executive Officer (CEO)



Hirohisa Hokari

Director
 Senior Executive Officer
 Deputy Chief Officer of Business
 Promotion Division
 Corporate Planning & Administration
 Strategic Business
 Business Planning & Management
 Financial Institutions
 Investor Relations

Tsuyoshi Murai

Director
 Senior Executive Officer
 Deputy Chief Officer of Business
 Promotion Division
 Human Resources
 Corporate Ethics

Shigeki Nomura

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

Masaki Tatsuguchi

Audit & Supervisory Board Member

Yukiyasu Aoyama

President and Representative Director
 Senior Executive President
 Chief Operating Officer (COO)

Masakazu Iwaki

Director (Outside Director)

Takeshi Oiwa

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

Ikuhiro Watanabe

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

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)
Major Concurrent Position
Dec. 1997: Representative Director, SOHGO CORPORATION (Current)

Yukiyasu Aoyama

President and Representative Director
Senior Executive President
Chief Operating Officer (COO)

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
Apr. 2011: Chief Operating Officer (Current)
Apr. 2012: President and Representative Director (Current)
Senior Executive President (Current)
Major Concurrent Position
Jun. 2014: Chairman, All Japan Security Service Association (Current)

Kiyomi Hara

Director
Executive Vice President
Chief Officer of Business Promotion Division
East Japan

Mar. 1970: Joined the Company
Jun. 2006: President and Representative Director, Tokyo Sohgo Security Services Co., Ltd. (Seconded, resigned in Apr. 2008)
Jun. 2007: Executive Officer
In charge of Stationed Security Services Reorganization
Apr. 2008: In charge of Corporate Marketing, Business Promotion Division
Aug. 2008: In charge of Support and Products / Services, Business Promotion Division
Jun. 2010: Senior Executive Officer
Deputy Chief Officer of Business Promotion Division
In charge of Support and Products / Services
Jun. 2011: Director and Senior Executive Officer
In charge of Sales Department of Head Office
Apr. 2012: In charge of Sales Promotion and Corporate Customer Sales Promotion
Apr. 2014: Chief Officer of Corporate Customer Sales Promotion
Apr. 2016: Director and Executive Vice President (Current)
Chief Officer of Business Promotion Division (Current)
Apr. 2017: In charge of East Japan (Current)
Major Concurrent Positions
Apr. 2016: Representative Director, Japan Facilio Co., Ltd. (Current)
Feb. 2017: Representative Director, ALSOK SHOJITSU SECURITY SERVICE CO., LTD. (Current)
Apr. 2017: Representative Director, ALSOK-TW East Japan (Current)

Hirohisa Hokari

Director
Senior Executive Officer
Deputy Chief Officer of Business Promotion Division
Corporate Planning & Administration
Strategic Business
Business Planning & Management
Financial Institutions
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
In charge of Business Planning and Financial Institution Marketing & Sales Promotion
General Manager of Business Planning Department
Feb. 2012: Senior Executive Officer and Deputy Chief Officer of Business Promotion Division (Current)
In charge of 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
Jun. 2014: Director and Senior Executive Officer (Current)
Apr. 2016: Corporate Planning & Administration (Current)
Strategic Business (Current)
Business Planning & Management (Current)
Financial Institutions (Current)
Investor Relations (Current)

Hiraku Otani

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

Apr. 2008: Executive Officer, Mizuho Corporate Bank, Ltd. (Currently Mizuho Bank, Ltd.) (Resigned in Apr. 2010)
Jun. 2010: Joined the Company as Executive Officer
In charge of Financial & Accounting and Internal Control (Current)
Jun. 2011: Senior Executive Officer
Apr. 2012: In charge of Procurement
Apr. 2013: In charge of International Affairs (Current)
Apr. 2014: Chief Officer of International Affairs (Current)
Jun. 2016: Director and Senior Executive Officer (Current)

Tsuyoshi Murai

Director
Senior Executive Officer
Deputy Chief Officer of Business Promotion Division
Human Resources
Corporate Ethics

Jul. 1997: Joined the Company
Jun. 2007: Chief Officer of Home Marketing Division
Apr. 2010: Executive Officer
Chief Officer of Regional Division (I)
Feb. 2011: In charge of General Property Management
Mar. 2011: Representative Director, Japan Facilio Co., Ltd. (Seconded, resigned in Mar. 2014)
Apr. 2014: Senior Executive Officer
Deputy Chief Officer of Business Promotion Division (Current)
In charge of Business Planning & Management and Regional Financial Institution Services
Apr. 2016: In charge of Human Resources and Corporate Ethics (Current)
Jun. 2016: Director and Senior Executive Officer (Current)
Major Concurrent Position
Sep. 2014: Representative Director, SOHGO CORPORATION (Current)

Masashi Terao

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

Apr. 1977: Joined the Company
Apr. 2006: Chief Officer of Transportation Security Services Headquarters
Jun. 2007: Executive Officer
Apr. 2010: Deputy Chief Officer of Security Operations
In charge of Transportation Security Marketing, Business Promotion Division
Jun. 2011: Chief Officer of Regional Division (VIII)
Apr. 2012: Senior Executive Officer
Chief Officer of Security Operations
Apr. 2015: Deputy Chief Officer of Business Promotion Division (Kansai) (Current)
Apr. 2016: In charge of West Japan
Jun. 2017: Director and Senior Executive Officer (Current)
Major Concurrent Positions
Jun. 2015: Representative Director, Hiroshima Sohgo Security Services Co., Ltd. (Current)
Representative Director, Ehime Sohgo Security Services Co., Ltd. (Current)

Shigeki Nomura

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

Apr. 1984: Joined the Company
Apr. 2011: General Manager of Human Resources Department
Jun. 2011: Executive Officer
In charge of Human Resources
Apr. 2014: Senior Executive Officer
Deputy Chief Officer of Business Promotion Division (Central Japan) (Current)
Chief Officer of Regional Division (III) (Current)
Apr. 2017: Chief Officer of Regional Division (VII)
Jun. 2017: Director and Senior Executive Officer (Current)
Major Concurrent Positions
Jun. 2014: Representative Director, Toyama Sohgo Security Services Co., Ltd. (Current)
Representative Director, Nihon Guard Co., Ltd. (Current)
Representative Director, Chukyo Sohgo Security Services Co., Ltd. (Current)

Ikuji Kayaki

Director
Senior Executive Officer
Security Operations
Structural Reform of Transportation Security Services

Apr. 1982: Joined the Company
Apr. 2011: Chief Officer of Regional Division (IV)
Apr. 2012: Executive Officer
Apr. 2014: Deputy Chief Officer of Security Operations
In charge of Structural Reform (Transportation Security Services) (Current)
General Manager of Security Operations Department (II)
Apr. 2015: Senior Executive Officer
Chief Officer of Security Operations (Current)
Jun. 2017: Director and Senior Executive Officer (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 (Resigned in Sep. 2015)
 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. (Resigned in Jun. 2017)
 Jun. 2015: Joined the Company as Outside Director (Current)

Masakazu Iwaki

Director (Outside Director)

Jun. 2010: Representative and Executive Vice President, Nippon Steel Corporation (Currently NIPPON STEEL & SUMITOMO METAL CORPORATION, resigned in Mar. 2014)
 Apr. 2014: Member of the Board, NIPPON STEEL & SUMITOMO METAL CORPORATION (Resigned in Jun. 2014)
 Jun. 2014: Executive Advisor, NIPPON STEEL & SUMITOMO METAL CORPORATION
 Jun. 2016: Joined the Company as Outside Director (Current)
 Jul. 2016: Advisor, NIPPON STEEL & SUMITOMO METAL CORPORATION (Current)
 Jun. 2017: Director, Misawa Homes Co., Ltd. (Current)

Seiei Ono

Director (Outside Director)

Apr. 2009: Executive Vice President, Mitsubishi Corporation (Resigned in Mar. 2013)
 Apr. 2010: President, Mitsubishi International Corporation (Resigned in Mar. 2012)
 Apr. 2012: Regional CEO, North America (Concurrently) President, Mitsubishi Corporation (Americas) (Resigned in Mar. 2013)
 Dec. 2013: Executive Vice President and Representative Director, Mitsubishi Research Institute, Inc.
 Dec. 2014: Executive Vice President and Representative Director, Mitsubishi Research Institute, Inc. (Resigned in Dec. 2016)
 Dec. 2016: Executive Advisor, Mitsubishi Research Institute, Inc. (Current)
 Jun. 2016: Joined the Company as Outside Director (Current)

Masaki Tatsuguchi

Audit & Supervisory Board Member

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

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

Apr. 2007: Managing Executive Officer, Somo Japan Insurance Inc. (Currently Somo Japan Nipponkoa Insurance Inc.)
 Jun. 2007: Director and Managing Executive Officer, Somo Japan Insurance Inc. (Currently Somo Japan Nipponkoa Insurance Inc.)
 Jun. 2010: Director and Senior Managing Executive Officer, Somo Japan Insurance Inc. (Currently Somo Japan Nipponkoa Insurance Inc.)
 Jan. 2011: Deputy President and Director, Somo Japan Insurance Inc. (Currently Somo Japan Nipponkoa Insurance Inc., resigned in Mar. 2011)
 Apr. 2011: Audit & Supervisory Board Member, Nippon Export and Investment Insurance (Resigned in Mar. 2017)
 Jun. 2011: Joined the Company as Outside Audit & Supervisory Board Member
 Jun. 2017: Joined the Company as Outside Audit & Supervisory Board Member (Current)

Makoto UenoyamaAudit & 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 in Mar. 2015)
 Jun. 2013: Joined the Company as Outside Audit & Supervisory Board Member
 Apr. 2015: Associate, Panasonic Corporation (Current)
 Jun. 2017: Joined the Company as Outside Audit & Supervisory Board Member (Current)

Ikuhiro WatanabeAudit & 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. (Resigned in Jun. 2015)
 Jun. 2015: Joined the Company as Outside Audit & Supervisory Board Member (Current)
 Jun. 2016: Auditor, Norinchukin Research Institute Co., Ltd. (Resigned in Jun. 2017)

Executive Officers**Motohisa Suzuki**

Senior Executive Officer
 Deputy Chief Officer of Business
 Promotion Division
 General Affairs / PR
 Procurement
 Second in charge of
 Security Operations
 HOME ALSOK
 Compliance
 Risk Management
 Information Assets Management

Takashi Kumagai

Senior Executive Officer
 Deputy Chief Officer of Business
 Promotion Division
 Long-term Care
 Management Company
 Regional Management
 Second in charge of R&D
 Second in charge of
 Sales Promotion
 Second in charge of
 Corporate Customers

Norihiko MizutaniSenior Executive Officer
R&D**Masato Yagi**Senior Executive Officer
Chief Officer of Regional Division (II)**Kazuhide Shigemitsu**Executive Officer
Second in charge of Corporate
Planning & Administration
Second in charge of
Strategic Business**Koji Kishimoto**Executive Officer
Second in charge of
Financial & Accounting**Yasuhiro Yoshimoto**Executive Officer
General Property Management
and Fire Protection Services**Shinichi Honjo**Executive Officer
Chief Officer of Regional Division (III)**Akira Kono**Executive Officer
Chief Officer of Regional Division (IV)**Yoshio Kumazaki**Executive Officer
Chief Officer of Regional Division (IX)

Financial Section

Management Indexes

Fiscal year ended March 31	2007	2008	2009	2010
Profit and loss (Millions of yen)				
Net sales	276,560	284,996	285,004	278,579
Cost of sales	203,080	212,287	215,711	210,097
Gross profit	73,479	72,709	69,292	68,482
Selling, general and administrative expenses	57,507	58,913	59,349	59,211
Operating income	15,972	13,795	9,943	9,270
Ordinary income	16,917	14,642	10,630	10,819
Profit attributable to owners of parent	7,558	7,653	4,224	4,563
Profitability				
Gross profit margin (%)	26.6	25.5	24.3	24.6
Operating income margin (%)	5.8	4.8	3.5	3.3
Ordinary income margin (%)	6.1	5.1	3.7	3.9
Return on assets (ROA) (%)	6.0	5.0	3.6	3.8
Return on equity (ROE) (%)	5.7	5.6	3.1	3.3
EV/EBITDA (Times) ¹	6.9	5.1	3.0	2.3
Stability				
Equity capital ratio (%)	47.2	46.2	47.7	50.9
Equity capital ratio on market-value basis (%)	77.2	47.4	29.5	39.4
Interest-bearing liabilities (Millions of yen)	61,042	74,485	66,247	51,318
Interest coverage ratio (Times)	14.9	15.2	20.7	24.0
Efficiency				
Total asset turnover ratio (Times)	1.0	1.0	1.0	1.0
Shareholders' equity turnover ratio (Times)	2.1	2.1	2.1	2.0
Tangible fixed assets turnover ratio (Times)	4.8	5.0	5.0	4.9
Per share information				
Net assets per share (Yen)	1,322.82	1,356.35	1,364.33	1,397.90
Profit attributable to owners of parent per share (Yen)	74.71	75.07	41.90	45.39
Price-book value ratio (Times)	1.6	1.0	0.6	0.8
Price earnings ratio (Times)	28.9	18.5	20.2	23.9
Dividends per share (Yen)	20	20	20	20
Consolidated dividend payout ratio (%)	26.8	26.6	47.7	44.1
Closing stock price	2,160	1,390	845	1,083
Other information				
Number of employees (Consolidated)	25,302	26,014	26,960	27,322
Average number of years of continuous service (Non-consolidated)	11.6	11.8	11.9	12.3
Percentage of employees returning to work after childcare leave (Non-consolidated, total for male and female employees)	—	—	—	92.2
CO ₂ emissions volume (Non-consolidated, t-CO ₂)	—	—	—	40,871

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

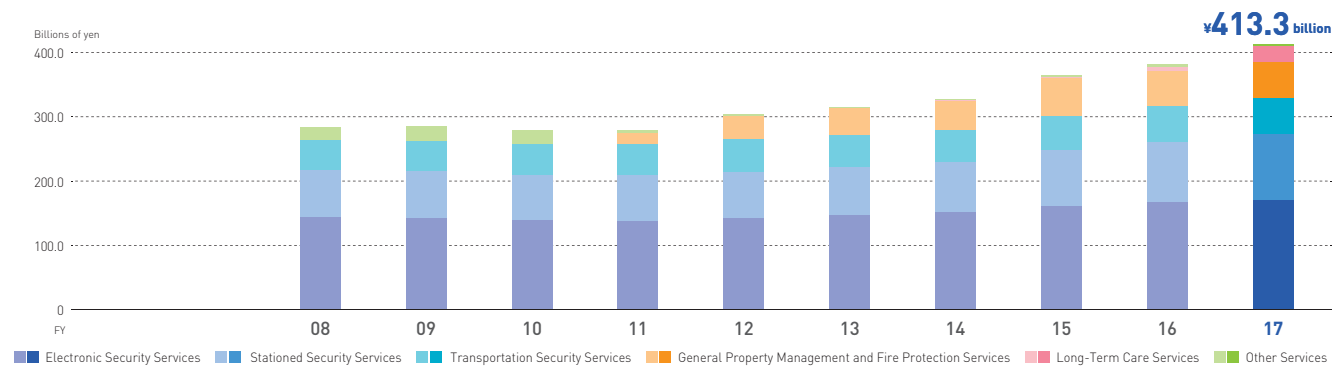
2011	2012	2013	2014	2015	2016	2017
279,272	304,723	315,564	328,209	365,749	381,818	413,343
209,364	232,812	242,410	248,900	276,116	282,880	310,704
69,908	71,910	73,153	79,308	89,632	98,937	102,639
59,555	61,100	61,363	60,375	66,660	69,901	74,217
10,352	10,810	11,790	18,932	22,971	29,036	28,422
11,765	12,558	14,741	20,745	24,700	30,667	30,309
4,706	3,903	8,574	10,955	13,534	17,868	18,330
25.0	23.6	23.2	24.2	24.5	25.9	24.8
3.7	3.5	3.7	5.8	6.3	7.6	6.9
4.2	4.1	4.7	6.3	6.8	8.0	7.3
4.2	4.4	5.1	6.5	6.9	8.5	8.2
3.3	2.7	5.7	7.0	7.8	9.9	9.7
1.4	1.4	2.7	5.3	10.1	13.4	8.7
50.3	51.3	52.1	46.2	48.4	51.9	51.0
32.0	34.8	46.5	63.5	110.1	175.4	108.2
49,311	39,270	37,455	71,666	73,698	47,208	65,599
20.1	34.1	36.9	36.4	28.5	30.1	54.2
1.0	1.1	1.1	1.0	1.0	1.1	1.1
2.0	2.1	2.1	2.1	2.2	2.1	2.2
4.9	5.2	5.4	5.2	5.4	5.3	5.1
1,421.67	1,446.93	1,536.30	1,574.74	1,800.15	1,805.09	1,956.25
46.82	38.83	85.30	108.99	134.65	177.77	182.37
0.6	0.7	0.9	1.4	2.3	3.4	2.1
19.3	25.3	16.1	19.9	30.4	34.3	22.8
20	20	25	30	38	50	55
42.7	51.5	29.3	27.5	28.2	28.1	30.2
905	982	1,373	2,164	4,095	6,100	4,155
27,790	27,868	28,054	28,091	31,221	31,446	36,693
12.7	13.3	13.8	14.4	14.9	15.4	15.9
90.2	93.3	97.6	92.4	96.6	93.0	91.3
39,968	38,022	38,587	41,377	39,212	37,390	36,649

Breakdown of Sales / Number of Contracts

Net Sales by Service Type

Fiscal year ended March 31	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Billions of yen										
Security Services										
Electronic Security Services	143.9	142.5	138.9	138.4	142.9	147.1	151.8	160.4	167.1	170.5
Stationed Security Services	72.7	72.8	70.6	71.3	71.3	73.8	77.2	88.4	93.9	102.3
Transportation Security Services	46.6	47.4	46.8	47.6	49.8	50.8	51.0	52.3	54.6	56.1
General Property Management and Fire Protection Services ¹	—	—	—	17.0	36.6	40.6	44.8	58.3	54.9	55.9
Long-Term Care Services ²	—	—	—	—	—	—	—	—	7.5	24.9
Other Services	21.6	22.2	22.1	4.7	4.0	3.0	3.2	6.2	3.5	3.4
Total	284.9	285.0	278.5	279.2	304.7	315.5	328.2	365.7	381.8	413.3

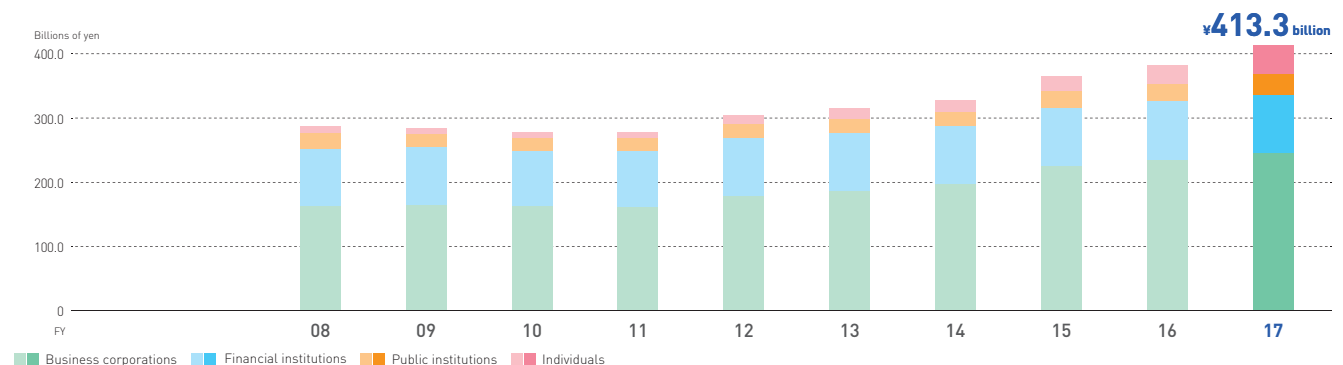
1. General Property Management and Fire Protection Services was converted to a reportable segment in the fiscal year ended March 31, 2012, and accordingly net sales amounts for this segment are displayed separately from the fiscal year ended March 31, 2011, and onward. Net sales amounts for fiscal years ended March 31, 2010, and prior are included under "Other Services."
 2. Long-Term Care Services was converted to a reportable segment in the fiscal year ended March 31, 2017, and accordingly net sales amounts for this segment are displayed separately from the fiscal year ended March 31, 2016, and onward. Net sales amounts for fiscal years ended March 31, 2015, and prior are included under "Other Services."



Net Sales by Client Type

Fiscal year ended March 31	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Billions of yen										
Business corporations ³	162.7	164.8	163.1	160.9	178.4	186.5	196.7	224.9	234.3	244.9
Financial institutions ³	90.0	90.4	85.7	88.3	90.7	89.8	90.5	91.3	92.3	91.7
Public institutions ³	22.4	19.6	19.5	19.3	20.5	22.0	22.8	26.4	26.2	31.3
Individuals ⁴	9.8	10.0	10.1	10.6	14.9	17.1	18.0	22.9	28.9	45.2
Total	284.9	285.0	278.5	279.2	304.7	315.5	328.2	365.7	381.8	413.3

3. 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 "Public institutions" 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."
 4. 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

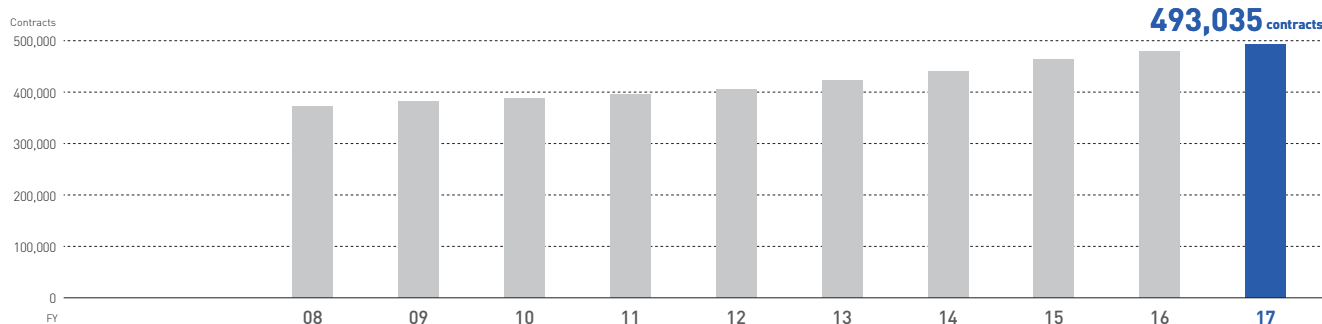
Fiscal year ended March 31	2008	2009	2010	2011	2012	2013	2014	2015	2016	Contracts 2017
Security Services										
Electronic Security Services	487,228	507,954	524,708	541,654	580,263	630,977	677,672	803,601	854,083	888,955
Corporate Clients	372,196	381,759	388,853	396,580	406,261	422,676	440,028	463,053	478,925	493,035
Individual Users	115,032	126,195	135,855	145,074	174,002	208,301	237,644	340,548	375,158	395,920 ⁷
Stationed Security Services	2,922	2,854	2,785	2,866	2,934	3,020	3,227	3,597	3,772	3,998
Transportation Security Services	33,397	33,960	35,963	39,065	48,284	51,698	55,420	59,134	62,146	65,755
General Property Management and Fire Protection Services⁵	—	—	—	44,212	47,913	54,903	63,004	73,898	81,908	89,670
Long-Term Care Services⁶	—	—	—	—	—	—	—	—	12,804	22,628
Other Services	56,099	43,171	42,909	8,307	8,957	11,989	13,725	22,477	18,217	22,285
Total	579,646	587,939	606,365	636,104	688,351	752,587	813,048	962,707	1,032,930	1,093,291

5. 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 "Other Services."

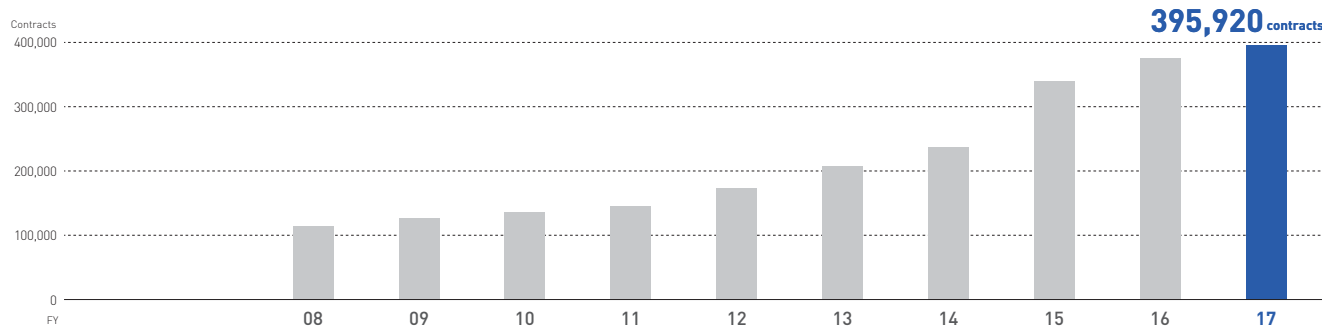
6. Long-Term Care Services was converted to a reportable segment in the fiscal year ended March 31, 2017, and accordingly the number of contracts for this segment is displayed separately from the fiscal year ended March 31, 2016, and onward. The number of contracts for fiscal years ended March 31, 2015, and prior is included under "Other Services."

7. If contracts for individual households in housing complexes are included, this figure would be approximately 1,060,000.

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, 2017 (April 1, 2016–March 31, 2017)

In the year under review, the general trend toward modest recovery continued in Japan as improvements were seen in corporate business sentiment, investment, and exports during the second half of the fiscal year as the inauguration of the Trump administration in the United States stimulated yen depreciation, all in the midst of ongoing improvements in the job market and wages. Despite the steady recovery of the U.S. economy, the global economy became increasingly opaque as a result of rising geopolitical risks, such as those associated with terrorist attacks by ISIS and the issues surrounding North Korea, as well as concerns regarding the United Kingdom's decision to leave the European Union and the trend toward protectionism. Accordingly, the current operating environment requires ongoing caution, and this need for caution extends to the economic policies to be implemented by the Trump administration in the United States.

In regard to public safety in Japan, the number of reported crimes is declining rapidly and has set a new record for post-World War II lows each year since 2015, coming to approximately 990,000 in 2016. However, there seems to be no end to the occurrence of crimes that affect people's everyday lives, such as malicious crimes and special-case scams targeting senior citizens and differently abled individuals as well as crimes aimed at women and children. At the same time, the range of risks faced by society is diversifying, now including such threats as natural disasters, cybercrimes, information leaks, and frequently occurring acts of international terrorism. ALSOK thus realizes the need for it to provide a wide range of services that respond to social needs as a company responsible for an important piece of social infrastructure supporting the safety and security of society.

Operating Results

In this environment, based on its policy of "responding accurately to customers' various risks and outsourcing needs," the ALSOK Group

continued working to strengthen and expand its mainstay security service operations while also growing businesses in peripheral fields that are highly compatible with security services, such as long-term care and facility management and other building maintenance service. At the same time, we pursued cost reductions through efficiency improvements in security operation divisions realized by having human resources handle a broader range of functions as well as through the consolidation of Guard Centers.

Due to the above factors, consolidated net sales rose 8.3% year on year, to ¥413,343 million, and profit attributable to owners of parent increased 2.6%, to ¥18,330 million. These increases were also due in part to new M&A activities conducted in long-term care service operations. Meanwhile, operating income was down 2.1%, to ¥28,422 million, and ordinary income declined 1.2%, to ¥30,309 million, due to the impacts of higher retirement benefit expenses and labor shortages.

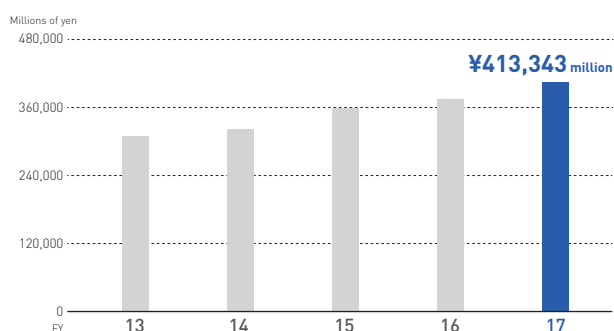
Sales by Business Segment

Security Services

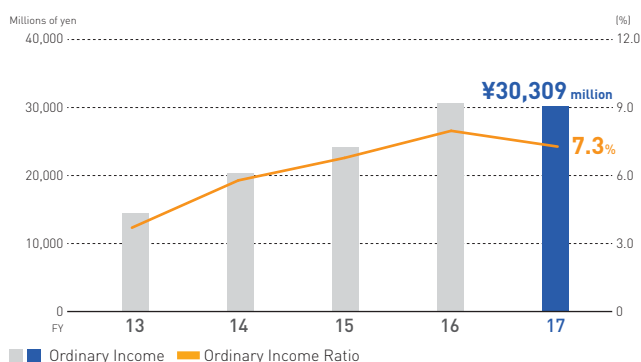
Electronic Security Services

In Security Services, the Electronic Security Services segment promoted sales of various services for corporate clients. These services included 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 premises to be viewed online while also providing Internet-based remote control functionality for equipment. Another promoted offering was Control System S-860, a standard security system that is equipped with comprehensive monitoring and management services related to intrusions, natural disasters, and equipment. In services for individual users, trends in contract numbers were favorable for HOME ALSOK Premium, a sophisticated security system that provides a fine-tuned response to customer needs, as well as for Home Security Basic, the new standard of home security services boasting cutting-edge features.

Net Sales



Ordinary Income / Ordinary Income Margin



Stationed Security Services

In the Stationed Security Services segment, the operating environment was characterized by a rising need for high-quality security and security augmentation services to address frequently occurring acts of terrorism and various other risks. Against this backdrop, sales contributions came from contracts for large-scale security operations at the G7 Ise-Shima Summit and other meetings of government leaders as well as for security operations related to new office buildings constructed as part of urban redevelopment efforts and to the 2017 Sapporo Asian Winter Games. In addition, we began offering Net de Security Guard in December 2016. This new service is an industry-first in that it allows customers to request security guards with ease via the Internet. Through this service, we aim to increase the scale of the market for temporary security services and thereby serve customers other than those that use ALSOK services on an ongoing basis, a group of customers that has previously faced difficulty placing direct requests.

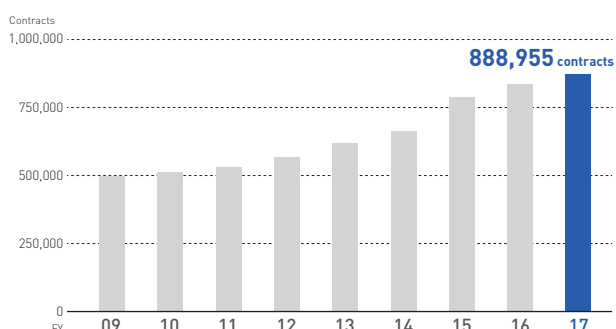
Transportation Security Services

In the Transportation Security Services segment, solid orders for the Total ATM Management System buoyed sales amid a growing trend toward outsourcing operation and management of ATMs installed both inside and outside of financial institutions as well as an increase in ATMs that are compatible with overseas bank cards. In addition, sales contributions came from outsourcing orders for financial institution business center operations.

Also, with the aim of further expanding overseas markets, we converted partnered local security companies in Vietnam and Indonesia into consolidated subsidiaries and thereby enhanced our systems for deploying full-fledged security services operations in these countries.

Due to the above as well as to the conversion of ALSOK SHOJITSU SECURITY SERVICE CO., LTD., formerly Hitachi Security Service Co., Ltd., into a consolidated subsidiary, net sales in the Security Services segment amounted to ¥329,027 million, up 4.2% year on year. However, operating income decreased 0.9%, to ¥32,291 million, due to the impacts of higher retirement benefit expenses and labor shortages.

Number of Electronic Security Services Contracts



General Property Management and Fire Protection Services

In the General Property Management and Fire Protection Services segment, we focused on comprehensive management services that encompass the maintenance, management, and operation services for various facilities provided through enhanced intra-Group coordination, and orders for general property management, cleaning services, and repair work contributed to sales accordingly. Other contributions came from sales of disaster preparedness items as well as from sales of sprinklers and other fire extinguishing equipment, which were stimulated by the revision of the Fire Service Act. As a result, net sales in the General Property Management and Fire Protection Services segment increased 1.8% year on year, to ¥55,961 million, and operating income rose 12.7%, to ¥4,916 million.

Long-Term Care Services

In the Long-Term Care Services segment, net sales increased 228.5% year on year, to ¥24,921 million, as a result of the development of long-term care service operations at HCM Corporation and ALSOK Care & Support Co., Ltd., as well as of the expansion of the Company's operations following the conversion of Wisnet Co., Ltd., into a consolidated subsidiary. However, as we are still in the process of reforming the management at Wisnet, operating loss of ¥354 million was recorded, compared with operating loss of ¥1 million recorded in the previous fiscal year. Going forward, the Group will fully leverage its management resources to develop its conventional long-term care service operations while also creating new hybrid services by fusing security services and long-term care.

Analysis of Individual Items

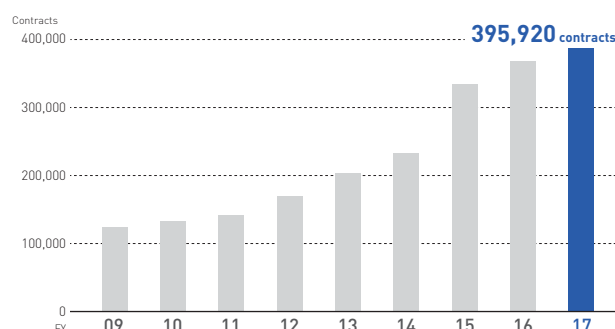
In the year under review, net sales increased ¥31,525 million, or 8.3%, year on year, to ¥413,343 million.

Cost of sales was ¥310,704 million, primarily due to a ¥14,934 million increase in labor costs and a ¥12,677 million increase in miscellaneous expenses.

Selling, general and administrative expenses amounted to ¥74,217 million due to a ¥1,148 million increase in taxes and dues and a ¥972 million increase in retirement benefit expenses.

Ordinary income decreased ¥357 million, or 1.2%, to ¥30,309 million.

Number of Contracts for Individual Users



Extraordinary income was down due to a ¥33 million decrease in compensation income.

Extraordinary loss rose following the recording of a ¥95 million provision for loss on dissolution of the employees' pension fund.

Profit attributable to owners of parent increased ¥461 million, or 2.6%, to ¥18,330 million.

Comprehensive income increased ¥17,073 million, or 296.9%, to ¥22,823 million. This increase was due to a ¥13,834 million upward adjustment attributable to remeasurements of defined benefit plans, net of tax, a result of the absence of the impacts of the reduction in the discount rate applied to retirement benefit obligations in the fiscal year ended March 31, 2016, as well as a ¥2,543 million boost stemming from valuation difference on available-for-sale securities, which itself was a result of stock price trends that were more favorable than those seen in the previous fiscal year.

Forecast for the Fiscal Year Ending March 31, 2018

In the fiscal year ending March 31, 2018, the benefits of various government measures will be felt in the Japanese economy. However, we will need to remain wary of the opaque nature of overseas markets as well as developments in the financial market and trends in corporate business confidence.

In the security industry, traditional security needs will remain present. At the same time, we expect to see expanding business opportunities resulting from increased outsourcing needs arising from ever-more severe labor shortfalls and the accelerated development of both tangible and intangible social infrastructure as part of preparations for large-scale events. However, decreases in earnings among financial institutions resulting from Japan's negative interest rate policy coupled with labor shortages are forecast to create a harsh operating environment in the security services market during the fiscal year ending March 31, 2018. 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, 2018, the ALSOK Group forecasts net sales of ¥440,000 million, up 6.4% year on year; operating income of ¥33,400 million, up 17.5%; ordinary income of ¥35,000 million, up 15.5%; and profit attributable to owners of parent of ¥21,500 million, up 17.3%, results that 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 ¥36,315 million, or 10.4%, from the previous fiscal year-end, to ¥385,877 million. Total current assets increased ¥11,613 million, or 6.2%, to ¥199,627 million, and total noncurrent assets increased ¥24,701 million, or 15.3%, to ¥186,250 million.

The increase in current assets was primarily due to a ¥12,836 million increase in cash and deposits and a ¥4,475 million increase in notes and accounts receivable-trade, which offset a ¥6,397 million decrease in cash for Transportation Security Services.

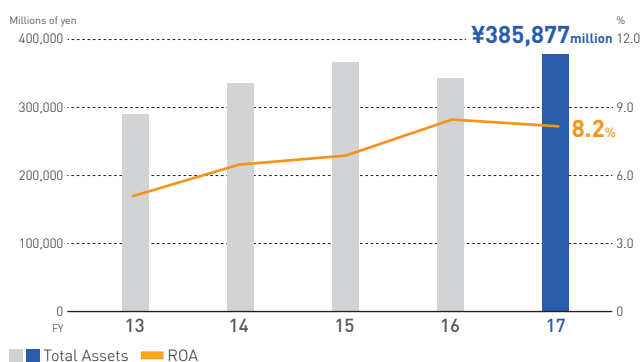
The increase in noncurrent assets was mainly attributable to a ¥9,249 million increase in lease assets, a ¥8,465 million increase in goodwill, and a ¥2,667 million increase in investment securities.

Liabilities

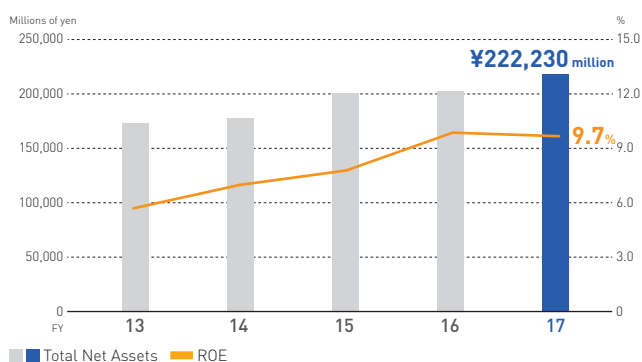
Total liabilities at the end of the year under review increased ¥19,707 million, or 13.7%, from the previous fiscal year-end, to ¥163,647 million. Total current liabilities increased ¥10,882 million, or 12.5%, to ¥98,104 million, and total noncurrent liabilities increased ¥8,824 million, or 15.6%, to ¥65,542 million.

The increase in current liabilities was a result of factors such as a ¥6,315 million increase in short-term loans payable and a ¥1,702 million increase in accounts payable-other.

Total Assets / ROA



Total Net Assets / ROE



The increase in noncurrent liabilities was due to a ¥11,194 million increase in lease obligations.

Net Assets

Total net assets at March 31, 2017, were up ¥16,607 million, or 8.1%, from the previous fiscal year-end, to ¥222,230 million.

Cash and Cash Equivalents

The balance of cash and cash equivalents (hereafter referred to as "cash") at March 31, 2017, was ¥47,549 million, up from ¥35,630 million at March 31, 2016. This increase was because net cash provided by operating activities was ¥54,561 million, net cash used in investing activities was ¥22,055 million, and net cash used in financing activities was ¥20,582 million.

Cash flows from operating activities

As a result of our operating activities in the year under review, net cash provided by operating activities increased 177.3% year on year, to ¥54,561 million. Principal items increasing cash included ¥30,215 million in income before income taxes, a decrease of 1.5% year on year; ¥18,157 million in increase in assets and liabilities for Transportation Security Services, compared with ¥3,538 million in decrease in assets and liabilities for Transportation Security Services in the previous fiscal year; and ¥13,773 million in depreciation and amortization, an increase of 13.7%. Conversely, major items decreasing cash included ¥10,617 million in income taxes paid, an increase of 26.7%.

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 ¥22,055 million, a 72.2% year-on-year increase. The primary factors were ¥11,006 million in purchase of property, plant and equipment, down 19.9% from the previous fiscal year; ¥6,424 million in purchase of shares in subsidiaries resulting in change in scope of consolidation, an item not present in the previous fiscal year; and ¥2,899 million in purchase of investment securities, an increase of 7.7%.

Cash flows from financing activities

Net cash used in financing activities was ¥20,582 million, an increase of 124.3% year-on-year. Major items decreasing cash included ¥5,989 million in net decrease in short-term loans payable, a decrease of 45.0%; ¥5,780 million in cash dividends paid, an increase of 42.0%; ¥4,265 million in repayments of lease obligations, an increase of 46.9%; and ¥3,826 million in repayment of long-term loans payable, an increase of 8.7%.

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.

Accordingly, for the fiscal year ended March 31, 2017, 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 ¥55.00 per share, including an interim dividend of ¥27.50 per share, for a consolidated payout ratio of 33.2%.

Risk Information

In relation to the ALSOK Group's business and accounting circumstances, the following items can potentially have significant effects on the judgment of investors. Future-related information mentioned below was deemed appropriate by the Group as of June 27, 2017, the date on which the 52nd 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 fiscal year ended March 31, 2017. Consequently, trends in the economic environment surrounding financial institutions, including the possible cancellations of existing security services contracts due to the elimination or consolidation of branch locations, can have a considerable effect on the Group's operating performance. Therefore, the Group will continue to aggressively advance sales promotion toward other business sectors in order to find new clients as well as maintain and develop firm relationships with existing clients in the financial institutions sector.

2. Electronic Security Services Business

Of the Group's total sales, 41.3% 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 can 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, although the Group endeavors to use funds efficiently, 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. Furthermore, 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 some companies 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 the offer of 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 technologies such as ICT, IoT, and AI are indispensable to the Group's adequate provision of security services, since we need to deal with "sophisticated and heinous crimes," "expansion in crime fields such as cyberattacks, etc.," "obsolescence of existing facilities due to the sophistication of information communication infrastructures," and "advances in a wide range of operations applying technologies such as ICT, IoT, and AI". 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 technologies such as ICT, IoT, and AI 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 manage 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 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 with the aim of responding to the hostile recruitment environment and strengthening cooperative structure in recruitment of the Group companies to enhance local recruitment and year-round recruitment. Moreover, we fixed the supply and demand of human resources between urban areas and regional areas to promote personnel exchanges and nurture the performance of employees. In addition, we established a company to re-employ experienced retired workers to secure high-quality labor for the Group as a whole. In addition, we respond to demands such as applicants of homecoming as possible and will keep the environment for employees so they continuously work in the Group. Furthermore we established a new company that reemploys experienced retired workers for the purpose of securing a high-quality labor force. In addition, formulation of 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 our clients with various security and other services, the Group is subject to a variety of legal restrictions, including the major restrictions stated in the table on the right. Should any of these legal restrictions be amended or abolished, or any new legal provisions be established, the Group's operating performance could be affected.

9. Measures of System Failures Caused by Natural and Other Disasters

In the event in which an unprecedented natural disaster were to occur, information exchange with 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 huge expenses to recover damaged monitoring centers and other facilities. The Group has made backup systems for the monitoring centers through the Support Center to prepare for damage caused by natural disasters as a business continuity plan (BCP) of the systems. Moreover, the Group established systems, which receive information from clients, in two Network Centers and make backup systems according to its

priorities. Preparing for major wide-area natural disaster, the Group will reduce risk by taking measures for each stage.

10. Risk Related to the Suspension of Infrastructure Function Caused by Massive Disasters

Should a major earthquake occur, or if there is wind and flood damage, and subsequent disasters such as long-term power failure occur, 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. As a result, 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 BCP 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 to prevent ATMs suspension, if at all possible, even in the event of natural disasters, ALSOK acquired ISO 22301 certification in March 20, 2014, scoping Transportation Security Services and ATMs trouble-shooting operation within Tokyo District, with which made the Company to be nation's first certified security services provider. Hereafter, the Group will enhance the structure in order to contribute to the preservation of 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
	Electricity Business Act / Law Concerning the Securing of Safety and the Optimization of Transaction of Liquefied Petroleum Gas	Ministry of Economy, Trade and Industry
Long-term Care Services	Long-term Care Insurance Act / Act on Social Welfare for the Elderly	Ministry of Health, Labor and welfare / Each prefecture / Each municipality
Other Services	Correspondence Delivery Act	Ministry of Internal Affairs and Communications
	Worker Dispatching Act / Employment Security Act	Ministry of Health, Labour and Welfare
	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 Sized 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	2016	2017
Assets		
Current assets		
Cash and deposits	42,750	55,587
Cash for Transportation Security Services	73,142	66,745
Notes and accounts receivable-trade	45,643	50,118
Lease receivables and investment assets	4,114	4,336
Short-term investment securities	419	803
Raw materials and supplies	6,150	5,375
Costs on uncompleted construction contracts	436	451
Advances paid	6,030	6,340
Deferred tax assets	1,880	2,183
Other	7,682	7,881
Allowance for doubtful accounts	(236)	(197)
Total current assets	188,013	199,627
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	47,269	48,336
Accumulated depreciation	(24,252)	(25,480)
Buildings and structures, net	23,016	22,856
Machinery, equipment and vehicles	127,800	130,824
Accumulated depreciation	(108,573)	(111,367)
Machinery, equipment and vehicles, net	19,227	19,457
Land	23,180	23,018
Lease assets	13,394	29,444
Accumulated depreciation	(6,712)	(13,513)
Lease assets, net	6,682	15,931
Construction in progress	1,274	992
Other	14,340	16,227
Accumulated depreciation	(10,381)	(11,509)
Other, net	3,958	4,717
Total property, plant and equipment	77,340	86,974
Intangible assets		
Software	4,033	3,411
Goodwill	10,149	18,615
Other	1,210	2,973
Total intangible assets	15,394	25,000
Investments and other assets		
Investment securities	37,633	40,300
Long-term loans receivable	350	359
Lease and guarantee deposits	8,282	8,935
Insurance funds	1,955	2,167
Net defined benefit asset	341	533
Deferred tax assets	10,810	10,394
Other	9,788	11,975
Allowance for doubtful accounts	(347)	(392)
Total investments and other assets	68,813	74,275
Total noncurrent assets	161,548	186,250
Total assets	349,561	385,877

Millions of yen

As of March 31	2016	2017
Liabilities		
Current liabilities		
Notes and accounts payable–trade	22,602	21,426
Short-term loans payable	21,122	27,438
Current portion of long-term loans payable	2,616	3,378
Current portion of bonds	64	54
Accounts payable–other	15,357	17,060
Lease obligations	3,192	4,090
Income taxes payable	6,188	6,214
Accrued consumption taxes	3,043	3,849
Provision for bonuses	1,470	1,958
Provision for directors' bonuses	137	100
Deferred tax liabilities	2	0
Other	11,424	12,534
Total current liabilities	87,222	98,104
Noncurrent liabilities		
Bonds payable	51	47
Long-term loans payable	11,928	11,161
Lease obligations	8,235	19,429
Deferred tax liabilities	332	621
Deferred tax liabilities for land revaluation	314	314
Net defined benefit liability	31,210	29,572
Provision for directors' retirement benefits	1,669	1,778
Asset retirement obligations	75	77
Other	2,900	2,539
Total noncurrent liabilities	56,717	65,542
Total liabilities	143,939	163,647

Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	31,485
Retained earnings	144,551	157,596
Treasury stock	(1,991)	(2,019)
Total shareholders' equity	193,352	205,737
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,570	7,306
Revaluation reserve for land	(5,286)	(5,286)
Foreign currency translation adjustment	113	69
Remeasurements of defined benefit plans	(13,309)	(11,204)
Total accumulated other comprehensive income	(11,912)	(9,114)
Non-controlling interests	24,182	25,607
Total net assets	205,622	222,230
Total liabilities and net assets	349,561	385,877

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

	Millions of yen	
Fiscal years ended March 31	2016	2017
Net sales	381,818	413,343
Cost of sales	282,880	310,704
Gross profit	98,937	102,639
Selling, general and administrative expenses	69,901	74,217
Operating income	29,036	28,422
Non-operating income		
Interest income	209	176
Dividends income	617	587
Gain on sales of investment securities	24	6
Rent income	263	277
Gain from insurance claim	63	57
Equity in earnings of affiliates	790	1,420
Penalty income	358	274
Other	739	999
Total non-operating income	3,066	3,798
Non-operating expenses		
Interest expenses	652	1,005
Loss on sales of investment securities	7	3
Loss on retirement of noncurrent assets	217	162
Financing expenses	297	296
Other	260	443
Total non-operating expenses	1,436	1,911
Ordinary income	30,667	30,309
Extraordinary income		
Gain on sales of investment securities	60	59
Compensation income	33	—
Total extraordinary income	93	59
Extraordinary loss		
Loss on valuation of investment securities	2	12
Impairment loss	75	45
Provision for loss on dissolution of the employees' pension fund	—	95
Total extraordinary loss	77	153
Income before income taxes	30,682	30,215
Income taxes—current	10,429	10,940
Income taxes—deferred	855	(659)
Total income taxes	11,284	10,281
Net income	19,398	19,934
Profit attributable to non-controlling interests	1,529	1,603
Profit attributable to owners of parent	17,868	18,330

Consolidated Statements of Comprehensive Income

	Millions of yen	
Fiscal years ended March 31	2016	2017
Net income	19,398	19,934
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,787)	755
Revaluation reserve for land	17	—
Foreign currency translation adjustment	(23)	48
Remeasurements of defined benefit plans, net of tax	(11,742)	2,091
Share of other comprehensive income (loss) of associates accounted for using equity method	(111)	(6)
Total other comprehensive income (loss)	(13,648)	2,888
Comprehensive income	5,749	22,823
(Contents)		
Comprehensive income attributable to owners of parent	4,566	21,128
Comprehensive income attributable to non-controlling interests	1,183	1,694

Consolidated Statements of Changes in Net Assets

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2015	18,675	32,117	130,753	(1,989)	179,557
Cumulative effects of changes in accounting policies					—
Balance at the beginning of current period reflecting changes in accounting policies	18,675	32,117	130,753	(1,989)	179,557
Changes of items during the period					
Dividends from surplus			(4,071)		(4,071)
Profit attributable to owners of parent			17,868		17,868
Purchase of treasury stock				(2)	(2)
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders					—
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	13,797	(2)	13,794
Balance as of March 31, 2016	18,675	32,117	144,551	(1,991)	193,352

	Accumulated other comprehensive income						Non-controlling interests	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	Total shareholders' equity		
Balance as of April 1, 2015	8,235	(5,293)	173	(1,725)	1,389	23,415	204,363	
Cumulative effects of changes in accounting policies							—	
Balance at the beginning of current period reflecting changes in accounting policies	8,235	(5,293)	173	(1,725)	1,389	23,415	204,363	
Changes of items during the period								
Dividends from surplus							(4,071)	
Profit attributable to owners of parent							17,868	
Purchase of treasury stock							(2)	
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders							—	
Net changes of items other than shareholders' equity	(1,665)	7	(59)	(11,584)	(13,302)	766	(12,535)	
Total changes of items during the period	(1,665)	7	(59)	(11,584)	(13,302)	766	1,258	
Balance as of March 31, 2016	6,570	(5,286)	113	(13,309)	(11,912)	24,182	205,622	

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2016	18,675	32,117	144,551	(1,991)	193,352
Cumulative effects of changes in accounting policies			495		495
Balance at the beginning of current period reflecting changes in accounting policies	18,675	32,117	145,046	(1,991)	193,848
Changes of items during the period					
Dividends from surplus			(5,780)		(5,780)
Profit attributable to owners of parent			18,330		18,330
Purchase of treasury stock				(28)	(28)
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders			(632)		(632)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	(632)	12,550	(28)	11,889
Balance as of March 31, 2017	18,675	31,485	157,596	(2,019)	205,737

	Accumulated other comprehensive income						Non-controlling interests	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	Total shareholders' equity		
Balance as of April 1, 2016	6,570	(5,286)	113	(13,309)	(11,912)	24,182	205,622	
Cumulative effects of changes in accounting policies							495	
Balance at the beginning of current period reflecting changes in accounting policies	6,570	(5,286)	113	(13,309)	(11,912)	24,182	206,118	
Changes of items during the period								
Dividends from surplus							(5,780)	
Profit attributable to owners of parent							18,330	
Purchase of treasury stock							(28)	
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders							(632)	
Net changes of items other than shareholders' equity	735	—	(43)	2,105	2,797	1,425	4,222	
Total changes of items during the period	735	—	(43)	2,105	2,797	1,425	16,112	
Balance as of March 31, 2017	7,306	(5,286)	69	(11,204)	(9,114)	25,607	222,230	

Consolidated Statements of Cash Flows

	Millions of yen	
Fiscal years ended March 31	2016	2017
Net cash provided by (used in) operating activities		
Income before income taxes	30,682	30,215
Depreciation and amortization	12,109	13,773
Impairment loss	75	45
Amortization of goodwill	1,098	1,076
Increase (decrease) in allowance for doubtful accounts	(210)	(20)
Increase (decrease) in net defined benefit liability	(25)	658
Increase (decrease) in provision for bonuses	10	184
Increase (decrease) in provision for directors' bonuses	(49)	(36)
Interest and dividends income	(827)	(763)
Interest expenses	652	1,005
Equity in (earnings) losses of affiliates	(790)	(1,420)
Loss (gain) on sales of noncurrent assets	(1)	(22)
Loss on retirement of noncurrent assets	217	162
Loss (gain) on sales of investment securities	(77)	(62)
Loss (gain) on valuation of investment securities	2	12
Loss (gain) on valuation of derivatives	10	9
Decrease (increase) in notes and accounts receivable–trade	(1,640)	(878)
Decrease (increase) in inventories	(1,451)	844
Increase (decrease) in notes and accounts payable–trade	(1,425)	(2,300)
Decrease (increase) in net defined benefit asset	(2,083)	402
Decrease (increase) in assets and liabilities for Transportation Security Services	(3,538)	18,157
Other	(5,028)	4,135
Subtotal	27,711	65,181
Interest and dividends income received	988	984
Interest expenses paid	(653)	(1,005)
Income taxes paid	(8,378)	(10,617)
Income taxes refund	11	19
Net cash provided by (used in) operating activities	19,678	54,561
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	1,066	(741)
Purchase of property, plant and equipment	(13,736)	(11,006)
Proceeds from sales of property, plant and equipment	69	165
Purchase of investment securities	(2,692)	(2,899)
Proceeds from sales of investment securities	1,770	2,106
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(6,424)
Decrease (increase) in short-term loans receivable	(28)	183
Payments of long-term loans receivable	(41)	(90)
Collection of long-term loans receivable	86	110
Other	697	(3,459)
Net cash provided by (used in) investing activities	(12,808)	(22,055)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(10,900)	(5,989)
Proceeds from long-term loans payable	12,690	491
Repayment of long-term loans payable	(3,519)	(3,826)
Redemption of bonds	(64)	(104)
Purchase of treasury stock	(0)	(1)
Repayments of lease obligations	(2,903)	(4,265)
Cash dividends paid	(4,071)	(5,780)
Cash dividends paid to non-controlling interests	(406)	(474)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(632)
Net cash provided by (used in) financing activities	(9,176)	(20,582)
Effect of exchange rate change on cash and cash equivalents	(38)	(4)
Net increase (decrease) in cash and cash equivalents	(2,345)	11,919
Cash and cash equivalents at beginning of period	37,976	35,630
Cash and cash equivalents at end of period	35,630	47,549

Corporate Information / Stock Information

As of March 31, 2017

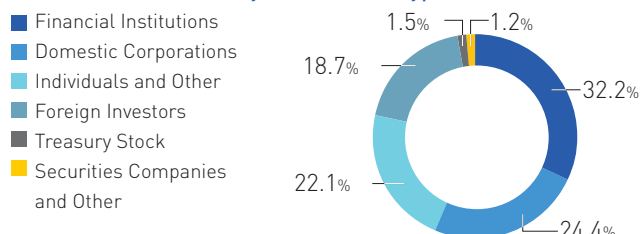
Corporate Information

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) 36,693
 (Non-consolidated) 12,072
 Business Operations Head office / 9 Headquarters / Overseas Division / 64 Branches / 37 Offices / 252 Sales offices

Stock Information

Total Number of Shares Authorized 300,000,000
 Number of Shares Issued 102,040,042 (including 1,506,964 shares of treasury stock)
 Number of Shareholders at the End of the Preceding Fiscal Period 17,447
 Stock Listing First Section of Tokyo Stock Exchange
 Securities Code 2331
 Minimum Trading Lot 100

Distribution of Shares by Shareholder Type

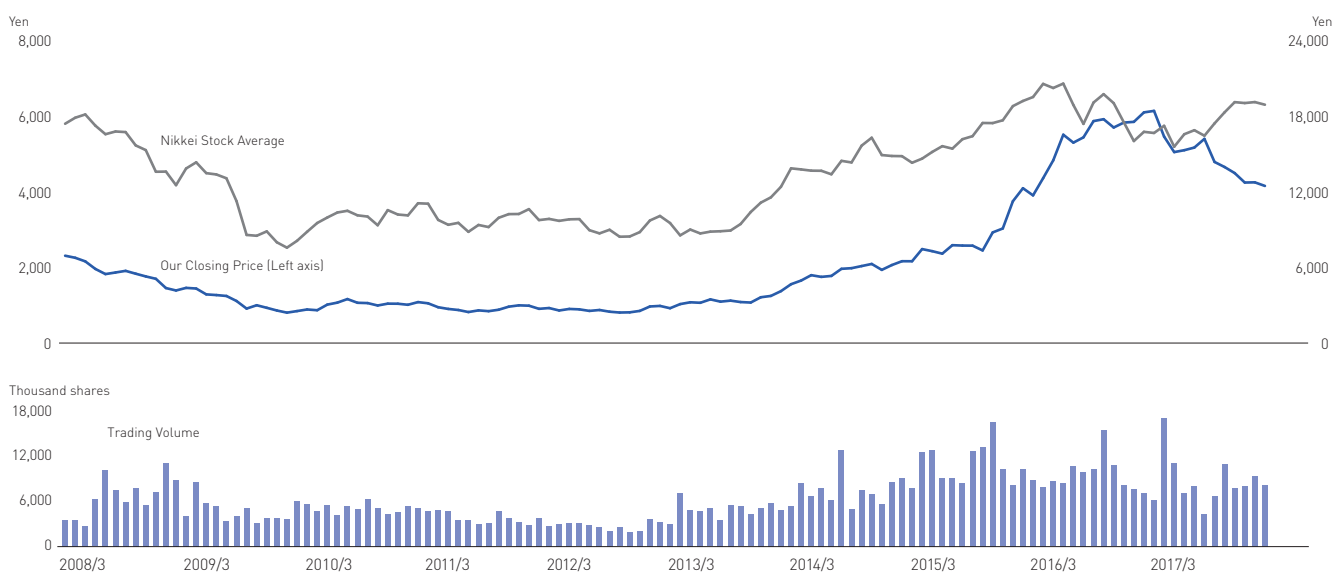


Major Shareholders (Top 10)

Name	Number of Shares Held (Thousand shares)	Controlling Share (%)
SOHGO CORPORATION	7,388	7.34
Saitama Machinery Co., Ltd.	5,283	5.25
Employees Shareholding Association	4,550	4.52
Trust & Custody Services Bank, Ltd. (as trustee for Mizuho Bank Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	4,261	4.23
Kamakura Corporation	4,150	4.12
Japan Trustee Services Bank, Ltd. (Trust account)	3,706	3.68
Japan Master Trust Bank, Ltd. (Trust account)	3,274	3.25
Kizuna Corporation	2,950	2.93
Atsushi Murai	2,885	2.86
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,850	2.83

* Treasury stock (1,506,964 shares) has been excluded.

Stock Chart



ALSOK is a Tokyo 2020 Official Partner.

In October 2015, ALSOK concluded an agreement with the Tokyo Organising Committee of the Olympic and Paralympic Games to become a Tokyo 2020 Official Partner in the category of "Security Services and Planning."

The Company has long contributed to the promotion of sports in Japan by producing many of the athletes who have represented the country in such Olympic sports as judo and wrestling. Leading up to Olympic and Paralympic Games Tokyo 2020, we will continue to support the efforts of our athletes. During the event itself, we will contribute to the event's success through rigorous security provided by an all-Japan team.



Tokyo 2020 Official Partner (Security Services & Planning)



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