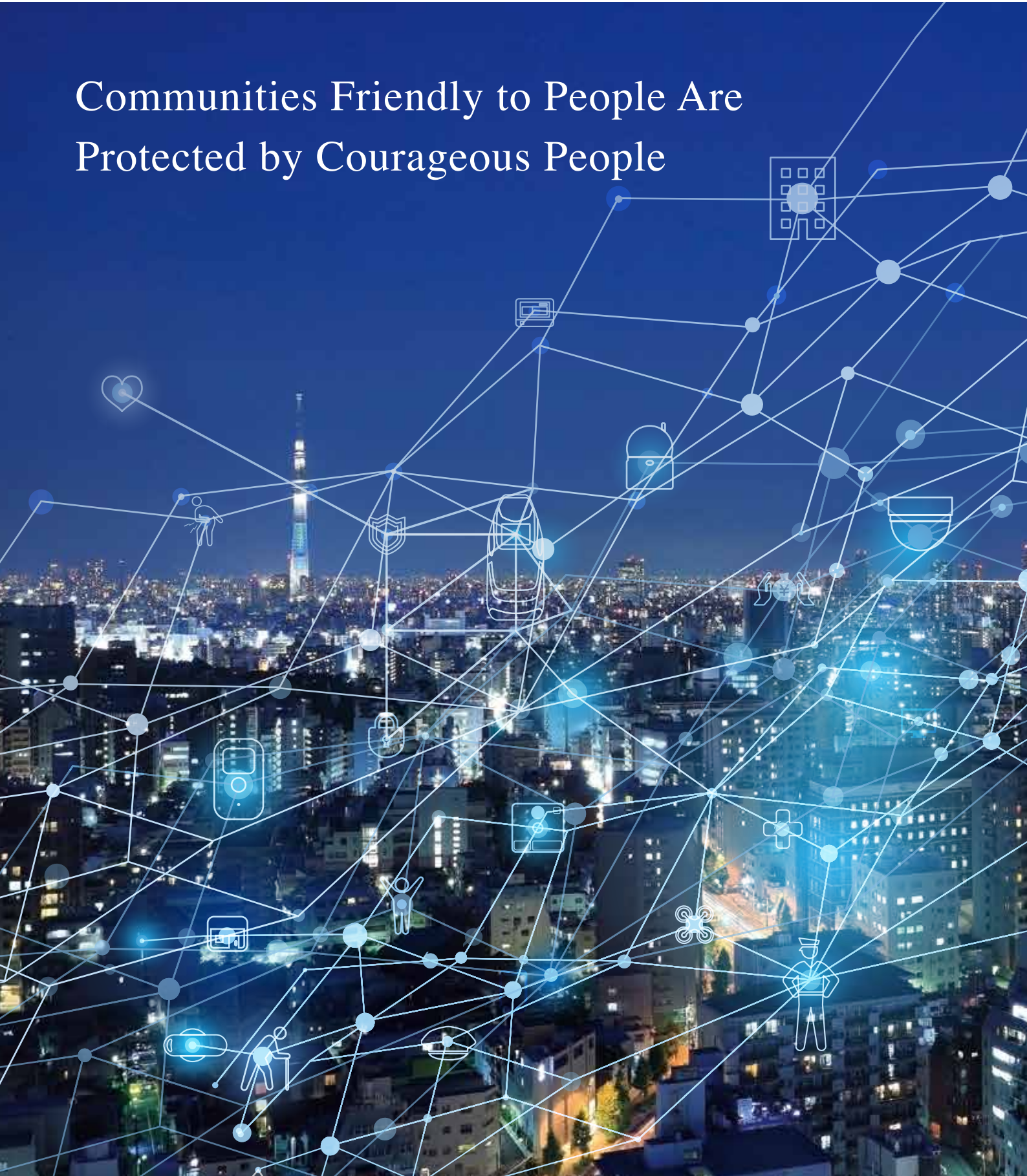


# ALSOK REPORT 2018

Fiscal Year Ended March 31, 2018



## Communities Friendly to People Are Protected by Courageous People





# Communities Friendly to People Are Protected by Courageous People

The role the ALSOK Group plays in response to safety and security needs that grow with the times has become more complex and diverse.

What should be held as important in protecting and supporting security of society for all people are generosity of heart and courage that enables us to face any kind of challenge.

We as safety professionals are committed to continuing our efforts aimed at self-improvement and advancement under the motto of “sincerity, accuracy, strength, and speed.”

## 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.

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## Editorial Policy

ALSOK REPORT 2018 has been constructed as an integrated report that compiles financial information on the Company's performance, business operations, and strategies as well as non-financial information on its corporate social responsibility (CSR) activities and other topics with the aim of obtaining the opportunity to deepen our engagement with shareholders, investors, and other stakeholders. 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), along with the Group's approach to achieving growth through sustainable value creation and its business structure that supports medium- to long-term management, business strategies, and growth.

Data and more detailed information on corporate activities that were not included in this report are available on the Company's corporate website.

## Reporting Media

The Company provides reports via a booklet and its corporate website, making full use of the characteristics of each respective media. In the booklet, items are narrowed down to those of higher importance or with greater interest among readers and the explanations on them are provided in a manner that is easy to read and understand. Meanwhile, the website comprehensively includes financial information and initiatives related to CSR and other matters in general.



## 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.

<https://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.

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



# The ALSOK Group's Operating Environment

## Trends in the Security Services Industry

In 2017, the number of reported cases of crimes in Japan declined for the 15th consecutive year, hitting another lowest record since World War II. The cases of intrusion and theft in particular were roughly one-fifth the level from 2002 when the number of such cases peaked. Behind this situation lies the increased recognition of the role of security services by society and the accompanying increase in the use of these services as evidenced by the fact that the number of facilities that use so-called electronic security services, in which sensors are installed at customer premises to detect abnormalities so that security guards can be dispatched to the scene, has continued to increase in recent years and topped 3 million.

However, we are put in a situation where heinous crimes preying on senior citizens and differently abled individuals, etc., and common crimes including special-case scams, stalking crimes, and crimes preying on children and women continue to occur. In addition, risks faced by society such as natural disasters including earthquakes, wind and flood damage, international terrorism, cybercrimes including cryptocurrency outflow, information leakage, etc., have become diversified, and one cannot claim that the perception of public safety is getting better.

The security services industry provides services for protecting safety in people's lives by completing one's own crime

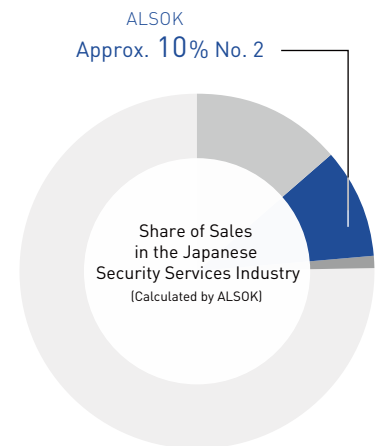
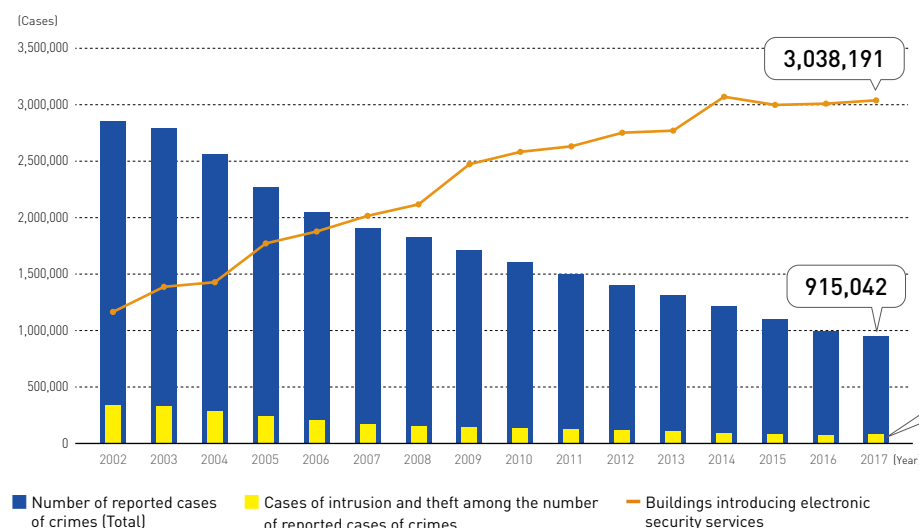
prevention activities or conducting such activities on one's behalf. As such, security services companies make a business of protecting the safety and security of society based on the requests of their customers. The security services industry in Japan is comprised of approximately 9,500 security services companies with roughly 550,000 security guards, and the combined sales of these companies total about ¥3.5 trillion. Net sales of the ALSOK Group's Security Services account for approximately 10% of these sales, giving it the No. 2 position in the whole industry.

Given the labor-intensive nature of the security services industry, labor shortages arising from the declining birthrate and aging population are an issue, making the improvement of labor productivity a task. Therefore, active use of artificial intelligence (AI), the Internet of things (IoT), and robots, etc., is expected.

The security services industry is expected to take part in ensuring the safe operation of Rugby World Cup 2019 and the Olympic and Paralympic Games Tokyo 2020. April 2018 saw the launch of the Olympic and Paralympic Games Tokyo 2020 Security Consortium to establish an "all-Japan structure" with the cooperation of numerous private-sector companies. The Company is committed to contributing to the event's success as a co-representative of the consortium.

Note: ALSOK is a Tokyo 2020 Official Partner (Security Services and Planning).

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



### Selected Crime-Related Figures



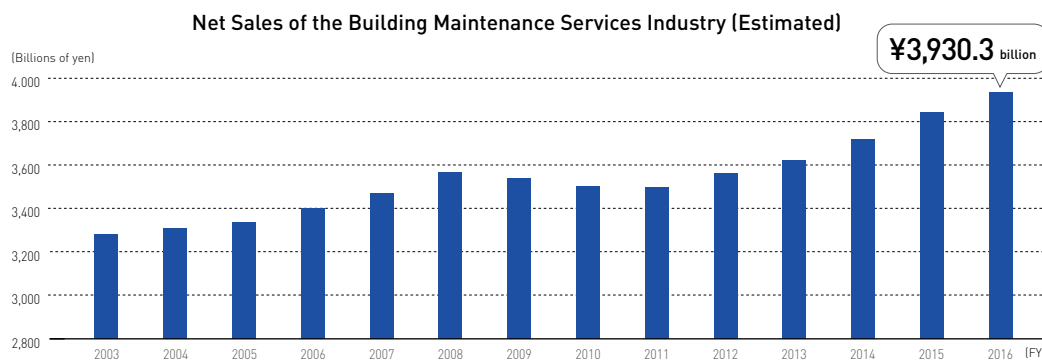
Source: "The White Paper on Police, 2018," "Overview of the Security Industry in 2017," "Crime statistics materials for January to December 2017," and "Status of reported special-case scams and arrests thereof in 2017," National Police Agency; "Public perception surveys," Cabinet Office

## Trends in the Building Maintenance Services Industry

Building maintenance services provide cleaning, maintenance, operation of equipment, and other maintenance and management services mainly for buildings and other constructions and also cover a diverse range of other business activities including health-related inspections, facility installation, and renovation. Combined net sales for the industry were estimated to be approximately ¥4 trillion, 40% of which is estimated to be generated from general cleaning services and 30% from equipment management services. Given the growth of inbound tourism demand and the trend of increasing use of outsourcing in recent years, the market is

continuing to grow even though labor shortages have been a serious issue.

The ALSOK Group commenced building cleaning services right after its foundation and has gradually expanded the operations to cover air conditioning and health facility installation, building maintenance services, etc., as an extension of the cleaning services. The concept of "general property management" in which building safety and a comfortable environment are provided in an integrated manner has a high affinity for security services.



Source: "BUILDING MAINTENANCE INFORMATION YEARBOOK 2018," The Japan Building Maintenance Association (JBMA), etc.

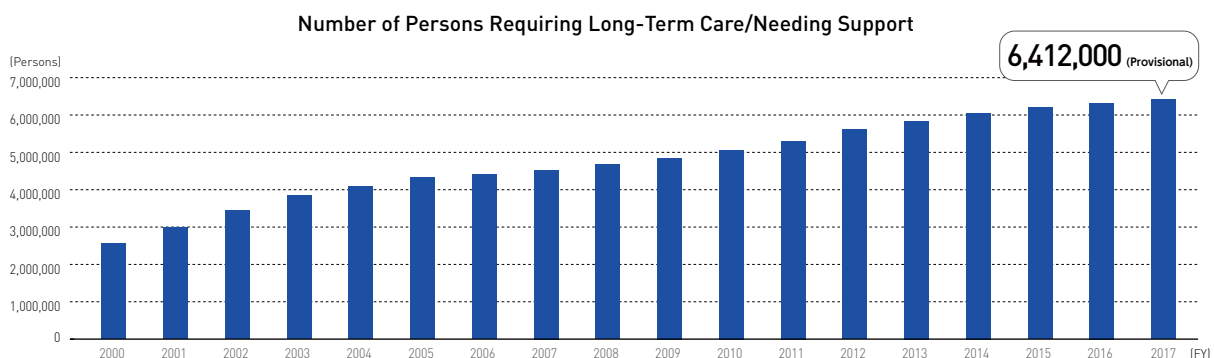
## Trends in the Long-Term Care Industry

Presently, the number of persons requiring long-term care/needling support in Japan is approximately 6.4 million. The number is expected to top 8.1 million in 2025 and an estimate indicates that one in five senior citizens would be diagnosed with dementia.

The long-term care industry covers a wide range of business including rental of nursing care equipment, life-support service, etc., in addition to long-term residential care in facilities, day care, and home-visit care services and has formed a market that boasts total annual sales of approximately ¥10 trillion from services that use the public long-term care insurance system

alone. The market is expected to expand even more as the number of persons requiring long-term care increases in the future. Meanwhile, the labor shortages in comparison with the number of persons requiring long-term care has been posing a serious issue even though the number of care workers has increased by around 0.8 million in 10 years, amounting to about 1.8 million.

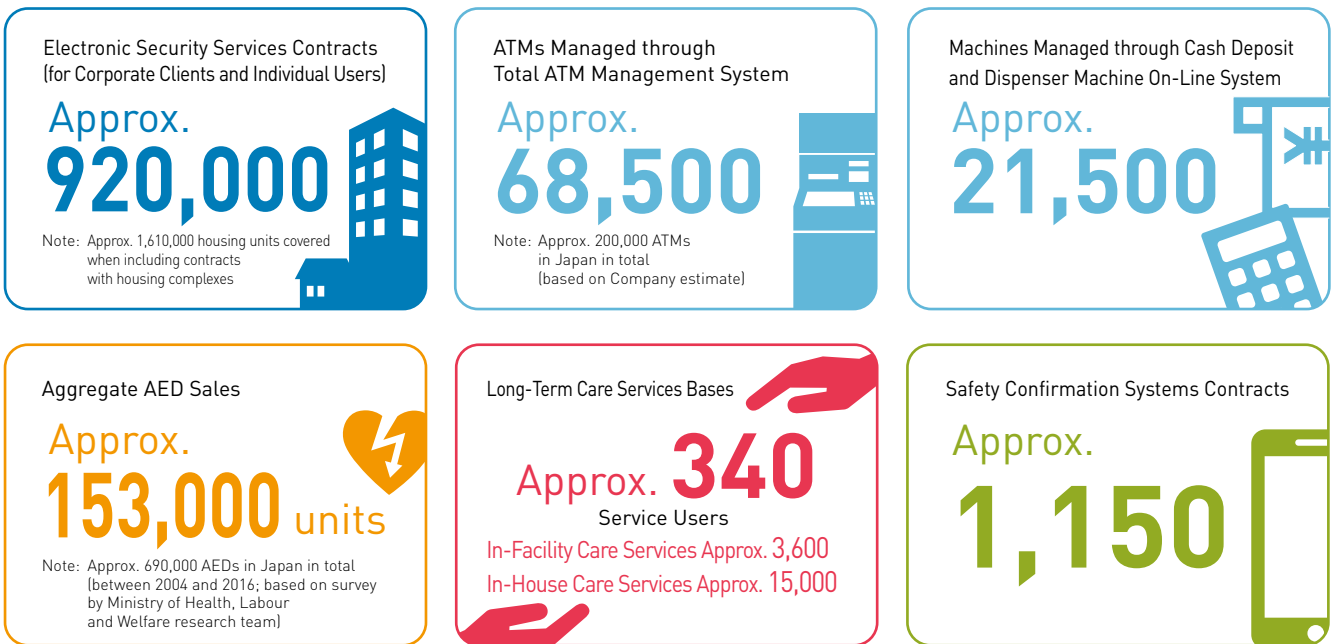
ALSOK has been proactively developing its business with a focus on facility service type long-term care and in-home service type long-term care, positioning its caring service as one of the core services from the perspective of "protecting" senior citizens.



Source: "Status Reports on the Insurance [Annual Reports]," "Status Report on the Long-term Care Insurance [Provisional] (March 2018)," "Status Report on the Long-term Care Insurance in FY2016 (Annual Report)," and "Annual Report on the Aging Society: 2018," Ministry of Health, Labour and Welfare; "Report Compiled by Study Group for Future Supply and Demand of Elderly Nursing Care Systems," Ministry of Economy, Trade and Industry

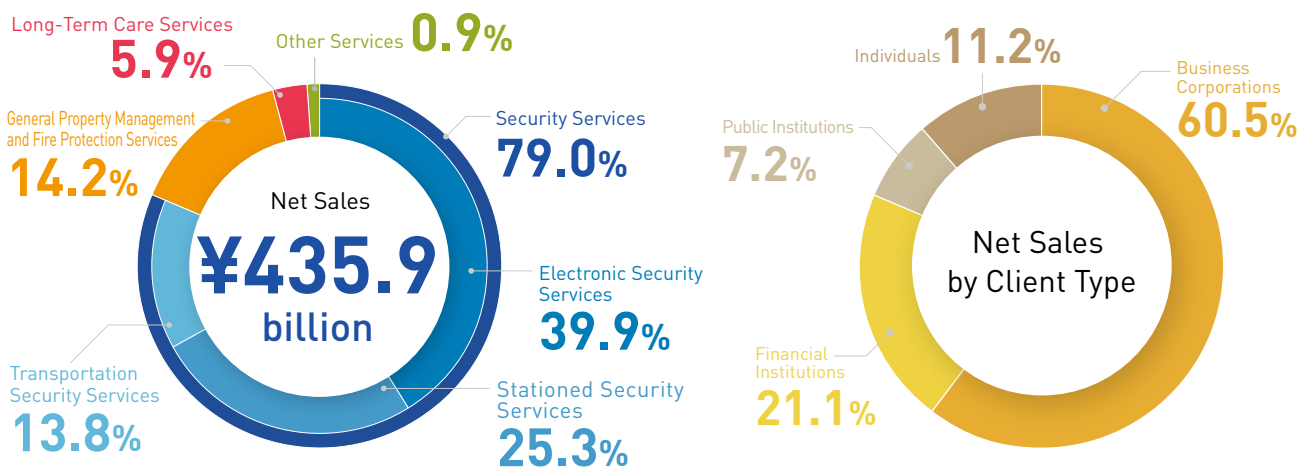
# ALSOK Group's Business

Since its founding, the ALSOK Group has consistently endeavored to protect the safety and security of society as a leading company in the security services industry. The Group delivers not only Security Services, its main line of business, and care service and watching over services, which leverage the experience and expertise gained through its security services operations, but also multifaceted support for business activities with building maintenance and ancillary installation services as well as with disaster prevention, business continuity plans (BCPs), and terrorism countermeasure services, etc. The ALSOK Group remains committed to creating new value for realizing a "safe and secure" future.



Note: As of March 31, 2018

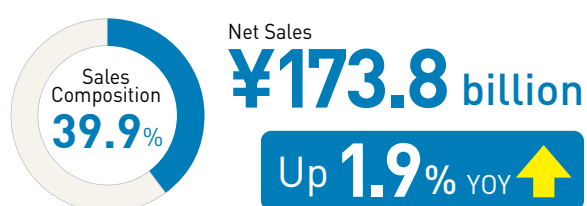
## Business Performance for the Fiscal Year Ended March 31, 2018



## ■ Security Services

### Electronic Security Services

Electronic Security Services, which utilizes state-of-the-art information and communications technology (ICT) and IoT and is linked to customer properties, is the mainstay of ALSOK's Security Services. Signals from a network of around 50 million sensors in total, which covers roughly 920,000 contracts nationwide, are instantaneously analyzed and security guards will be swiftly dispatched in the case of an abnormality, utilizing about 2,400 bases across Japan, to ensure customers' safety. ALSOK aims to reinforce prevention of accidents and crimes by detecting suspicious activities and tracking individuals via facial recognition systems, etc., with utilization of the latest technologies such as AI, IoT, and 5G in the near future.



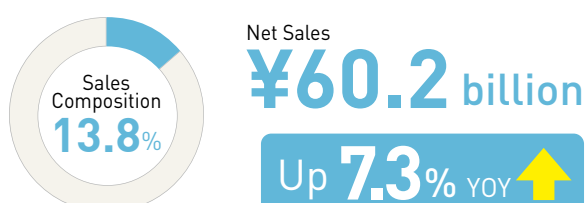
### Stationed Security Services

Large demand has been generated from successive construction of new large-sized building complexes associated with urban redevelopment plans and holding of large-scale events, etc., in addition to a rise in security outsourcing needs. With the aim of providing more efficient and higher quality security, ALSOK is working to utilize wearable cameras, manage access through facial recognition, detect hazardous materials through introduction of state-of-the-art equipment, provide patrols and information desk work with robots, and predict crowd behavior with the use of AI. In such ways, ALSOK's security is making ongoing evolution.



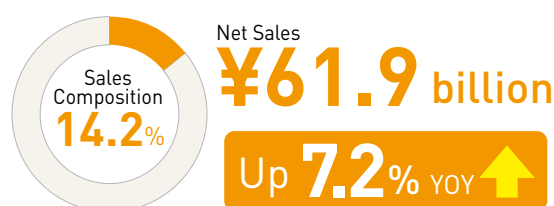
### Transportation Security Services

Cash handled in ALSOK's Transportation Security Services in a year is more than ¥350 trillion. The Total ATM Management System, demand for which has been increasing partly due to pursuit of efficiency improvement at financial institutions, supports stable operation of ATMs across Japan through formulation of detailed fund planning, safe cash transportation, and quick incident responses. Needs for the Cash Deposit and Dispenser Machine On-Line System is increasing at retail stores and restaurants, etc., where cash is handled, led partly by labor shortages and work-style reforms.



## ■ General Property Management and Fire Protection Services

ALSOK provides comprehensive property management services that include maintenance and management of various facilities and installation of equipment at buildings, etc., along with security, taking advantage of intra-Group coordination. ALSOK supports any kind of safety and security related to facilities including smoke alarms, fire extinguishing equipment, automated external defibrillators (AEDs), etc., for use in houses and stores and other abundant products and services including improving and updating equipment. In addition, ALSOK provides Vacation Rental Solutions concerning the demands of inbound tourism.



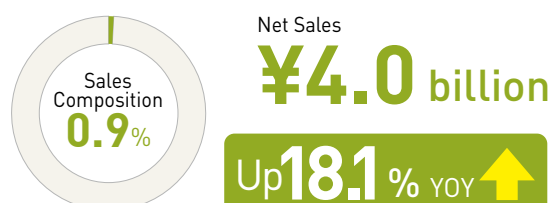
## ■ Long-Term Care Services

Under the situation where the number of people requiring long-term care is growing, ALSOK positions Long-Term Care Services with high social needs as a new pillar of its business. ALSOK offers extensive services ranging from in-home care services to in-facility care services mainly in the Tokyo metropolitan area, providing optimal support even if customers' physical conditions change. In addition, all facilities are equipped with security systems, and evacuation drills, etc., are instituted at these facilities through collaboration with neighboring ALSOK offices. In such ways, ALSOK endeavors to provide safety and security to its customers and their family members.



## ■ Other Services

ALSOK provides solution services for various risks in relation to BCPs of corporations, including support for plan formulation and safety confirmation services. In addition, cybersecurity needs, which are inextricably linked with the advancement of ICT, are also increasing. The Regional Protection System addresses the needs for watching over children and senior citizens in households and regions, with mobile security terminal MAMOLOK and lightweight and miniature MIMAMORI Tags.

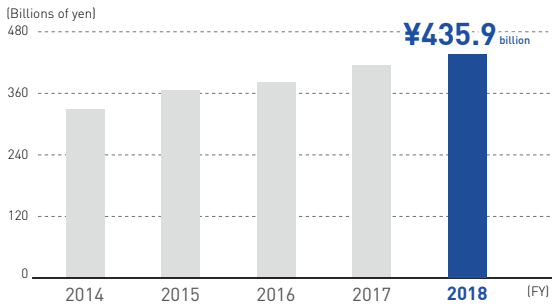


# Financial Highlights

## Net Sales

**¥435.9** billion

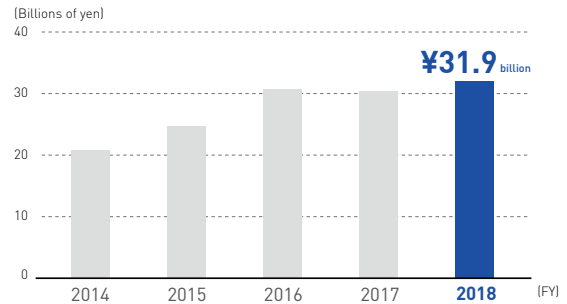
Up **5.5%** YOY 



## Ordinary Income

Ordinary Income **¥31.9** billion

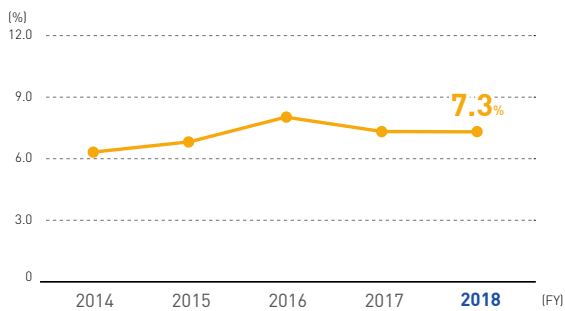
Up **5.3%** YOY 



## Ordinary Income Margin

**7.3%**

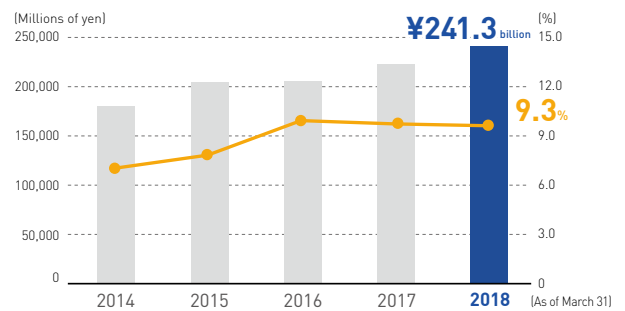
± **0.0** percentage point YOY 



## Total Net Assets/ROE

ROE **9.3%**

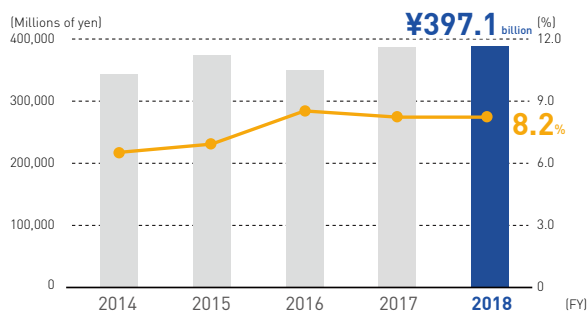
Down **0.4** percentage point YOY 



## Total Assets/ROA

ROA **8.2%**

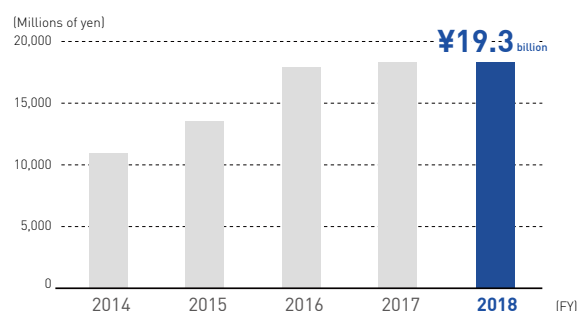
± **0.0** percentage point YOY 



## Profit Attributable to Owners of Parent

**¥19.3** billion

Up **5.5%** YOY 

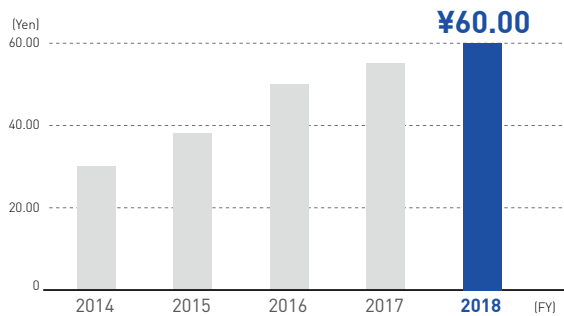




Dividends per Share

**¥60.00**

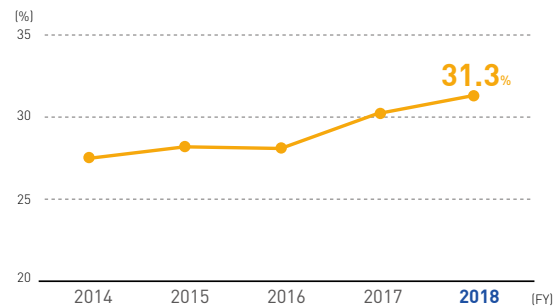
Up **¥5.00** YOY 



Dividend Payout Ratio

**31.3%**

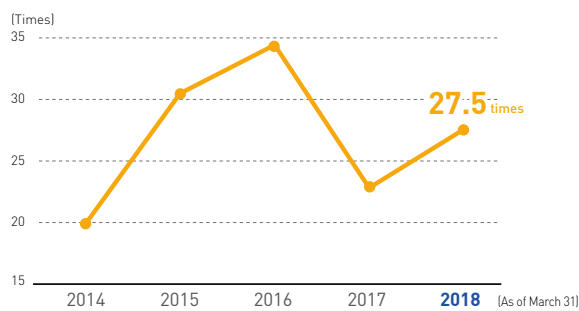
Up **1.1** percentage points YOY 



Price Earnings Ratio (PER)

**27.5** times

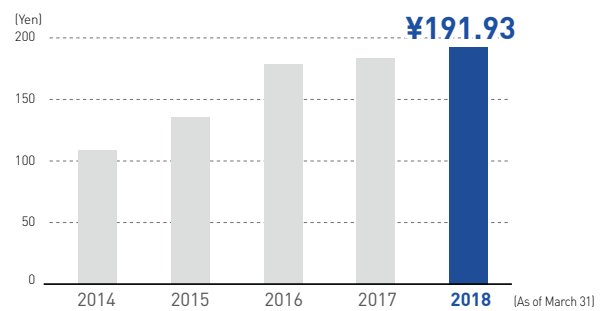
Up **4.7** points YOY 



Earnings Per Share (EPS)

**¥191.93**

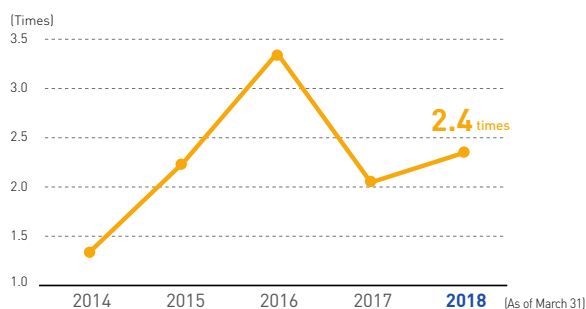
Up **¥9.56** YOY 



Price to Book Value Ratio (PBR)

**2.4** times

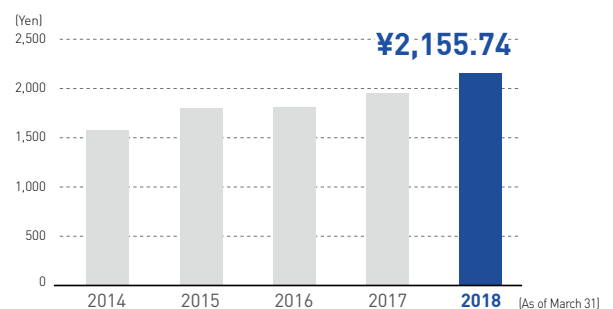
Up **0.3** point YOY 



Book Value Per Share (BPS)

**¥2,155.74**

Up **¥199.49** YOY 



# Non-Financial Highlights

## Environment

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

**36,291 t-CO<sub>2</sub>**  
(Down 1.0% YOY)



Give consideration for the global environment, set specific goals for CO<sub>2</sub> emission reduction, etc., and promote reduced environmental impact

### Fuel Usage (Non-Consolidated)

**8,775.5 kl**  
(Up 1.3% YOY)



Promote setting up of optimal routes for security vehicles, introduction of environmental conservation vehicles, etc., to reduce fuel usage

### Electricity Consumption (Non-Consolidated)

**28,212 kWh**  
(Down 1.6% YOY)



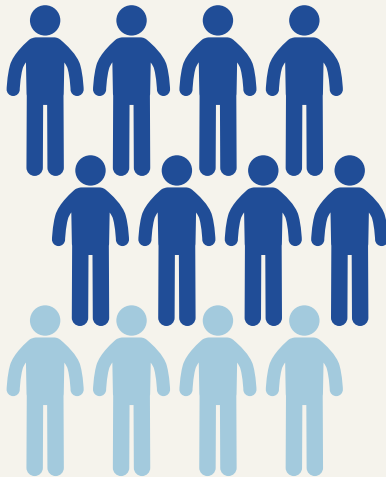
Thoroughly implement measures to conserve electricity on a Companywide basis through, for example, promotion of "cool biz" or cool business attire in summer, reduction of the number of office lights in use, air conditioning in an energy-efficient way, etc.

## Governance

### Number of Directors

**12**

(of whom 4 are outside directors)

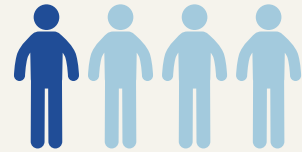


Appoint four independent outside directors to invigorate Board of Directors' Meetings and provide transparency in business management

### Audit & Supervisory Board Members

**4**

(of whom 3 are outside Audit & Supervisory Board members)



Attend Audit & Supervisory Board and Board of Directors' Meetings and provide observation and supervision on senior managers from an objective and impartial perspective.

Appoint three outside Audit & Supervisory Board members to provide observation and supervision on operational execution performance of all directors from a more professional and objective perspective

### Rate of Attendance at the Board of Directors' Meetings

**100%**

\* Includes all directors and Audit & Supervisory Board members



Held 14 times during the year. Attended by all directors and Audit & Supervisory Board members who properly determine the Company's management policies and important matters pertaining to operational execution

### Number of Group Companies That Used the Internal Reporting System

**74 companies**

(As of March 31, 2018)



Set up the ALSOK Hotline in April 2004 to facilitate early identification and prevention of corporate ethics issues

### Number of Group Companies That Acquired Certification Under ISO 27001 (ISMS)

**17 companies**

(As of March 31, 2018)



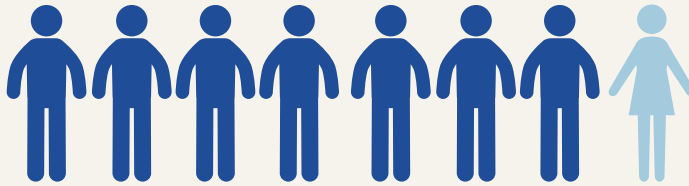
Formulate the Basic Information Security Policy and promote acquisition of certification for the purpose of strengthening protection and management of information assets

Social

**Number of Employees**  
(Consolidated)  
**37,519**

**Ratio of Female Employees**  
(Consolidated)  
**12.4%**

Male Employees 32,852, Female Employees 4,667



Work to build a comfortable workplace environment by, for example, enhancing training systems, supporting career development, and promoting diversity, and help diverse human resources to realize their full potential

**Average Number of Years of Continuous Service by Gender** (Non-Consolidated)

Male Employees **16.6 years** Female Employees **14.8 years**



Implement various internal systems that make it possible for employees to work actively for a long period of time with peace of mind and promote work-life balance

**Percentage of Administrative Positions Filled by Women**  
(Non-Consolidated)

**3.7%**  
(As of April 1, 2018)



Support female employees in developing their careers through promotion of measures to increase the number of female employees and various other initiatives with the aim of achieving higher percentage of administrative positions filled by women

**Number of Employee Satisfaction Meetings Held**

**116 times/year**  
(Fiscal Year Ended March 31, 2018)



Provide opportunities for senior managers and employees to exchange opinions, and incorporate requests solicited from employees into internal measures, etc.

**Number of Participants in ALSOK ANSHIN KYOSHITSU**

Aggregate total of  
**1,426,000**  
(As of March 31, 2018)



Dispatch employees who are safety professionals to elementary schools throughout Japan to hold visiting classes to provide an opportunity for learning about crime prevention and first aid

**Number of ALSOK HOTTO LIFE KOZA Classes Held**

**95 times/year**  
(Fiscal Year Ended March 31, 2018)



Hold visiting classes to learn about trends of and countermeasures against special-case scams, etc., preying on senior citizens and contribute to safety and security in the everyday lives of senior citizens

**Annual Social Contribution Expenditure**

**¥416.4 million**  
(Fiscal Year Ended March 31, 2018)



Educational activities on crime prevention and disaster prevention in local communities, initiatives for patronage of culture, promotion of sports and education, and ongoing support for regions impacted by disasters

**Employees That Have Completed First-Aid Training**

Aggregate total of **18,912**  
(including Standard and Advanced courses)  
(As of March 31, 2018)



Improve quality of security through acquisition of skills required in the case of an emergency such as chest compressions, usage of AED, and hemostatic method

# ALSOK's Value Creation Model

## Input of Capital As of March 31, 2018

Number of Employees	Employees with Security Planner Certification	Depots Located Nationwide	Overseas Operations
<b>37,519</b>	<b>600</b>	Approx. <b>2,400</b>	<b>9</b> countries centered on Southeast Asia



The ALSOK Group has continued to provide security services of impeccable quality for more than 50 years since its establishment. The Group's human resources, organizational capabilities, and reliability recognized by customers and society are some of its greatest strengths. The Company is reinforcing its operating foundations with the aim of achieving consolidated net sales of ¥1 trillion and income of ¥100 billion. Although conditions are changing rapidly both inside and outside of the Company, we remain committed to creating new value for "protecting" safety and security for customers and society while simultaneously increasing ALSOK's earnings capacity. By accomplishing these goals, we will achieve growth that meets the expectations of all stakeholders.

Capital Expenditures

**¥16.8 billion**  
(Fiscal Year Ended March 31, 2018)

Number of Vehicles

Approx. **8,300**

Investment Aimed at Further Growth

Targets

Net Sales

**¥1 trillion**

Income

**¥100 billion**

Human Resource

Organizational Capabilities

Reliability

Medium-Term Management Plan  
**Grand Design 2020**

Net Sales  
Approx. **¥500.0 billion**  
Ordinary Income  
Approx. **¥40.0 billion**

Customers

Operating Practice:  
Providing Trustworthy  
Security Services



Common goals for international society (SDGs) towards 2030



## Message from the Chairman

# Value That the ALSOK Group Needs to Provide to Society

Chairman and Representative Director  
Chief Executive Officer (CEO)

## Atsushi Murai

Advancement of the ALSOK Group starts with advancement of local communities and society. 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 further ensuring the safety and security of people who live there.



## Thoughts Behind “Communities Friendly to People Are Protected by Courageous People”

We have put the message of “Communities Friendly to People Are Protected by Courageous People” on the front cover of the ALSOK REPORT 2018. Behind the message lies a thought that “appropriate systems and courage are required to protect Japan’s desired form of society,” and the message is a paraphrase of ALSOK’s Management Philosophy of providing impeccable security with “*arigato no kokoro*” and “*bushi no seishin*” as set out in the ALSOK Charter.

For the sake of providing supplementary explanations on the foregoing, “Japan’s desired form of society” means a society in which people care for each other with kindness, and a society

in which all people live with peace of mind regardless of gender, age, and nationality, with or without disabilities, etc. Thinking of who protect that society, they are those who have courage to firmly confront with risks. Also put into that message is a sentiment that ALSOK’s employees who are finely trained professionals should always be that kind of person.

## Foundation and Two Tokyo Olympic Games

ALSOK was founded in 1965 led by the experience of the founder who was deeply engaged in the operation of the Tokyo Olympic Games in the previous year of 1964, and has achieved growth ever since. We consider the Olympic and Paralympic Games Tokyo 2020 as an opportunity to reaffirm our founding philosophy and aim to put all our efforts into fulfilling our responsibility as a co-representative of the Olympic and Paralympic Games Tokyo 2020 Security Consortium and contributing to achieving a safe and secure event through concerted efforts of the industry.

ALSOK has focused its efforts also on the promotion of sports, producing numerous Olympic medalists, and has two People's Honor Award recipients in the Company. We learn the motivation and the mettle or determination to make the utmost effort and pursue one's goal wholeheartedly and with patience from these

athletes. In addition, what is common to the ALSOK Group's business is their way of making advancement through new discoveries in their daily practices.

We will engage in security of the 2020 event with determination to build everything from the ground up, giving due consideration to the education and training of staff and deploying security guards who are capable of making effective responses by considering thoroughly all sorts of situations that may occur during the event, so as not to bring dishonor to the name of the ALSOK Group. We are determined to ensure the safety of all the people who visit the event venue including athletes, parties concerned, and people who come to see the Games from around the world, along with "hospitality" performed in a way unique to Japan.

Note: ALSOK is a Tokyo 2020 Official Partner (Security Services and Planning).

## In Order to Protect the Safety and Security of Society

In recent years, threats facing society are growing more diverse as exemplified by not only crimes preying on children, senior citizens, differently abled individuals, etc., cyberattacks targeting corporations, and international terrorism but also an increase in the number of natural disasters and accidents due to aging of public infrastructure.

We are required to establish concrete countermeasures in preparation for such unexpected situations by using all wisdom. To this end, ALSOK implements comprehensive security nationwide, ranging from stationed security to electronic security services, crowd control, transporting valuables, and guarding important people, as a security services company responsible for a critical component of social infrastructure supporting the safety of society.

The reason for our existence lies in the embodiment of our founding spirit, "contributing to safety of society through impeccable security for which our customers show gratefulness

and gratitude to us." We cannot permanently sustain reliability and trust accumulated since the foundation in any other way but to foster highly principled employees with a high sense of ethics who never deviate from the right path to follow.

From this point of view, we adopt the "arigato no kokoro" attitude for employees as well and give due consideration to their treatment at all times. We are focusing our efforts on not only improvement of employee health and welfare but also measures to immediately respond to any issues including power harassment, sexual harassment, unpaid overtime, etc., in order to ensure that employees feel motivated in their pleasant working environment.

The ALSOK Group aims to be a corporation that is admired as "a warm company of integrity" and "a highly principled company" by not only customers but also shareholders, investors, and peers, and that employees and their family members take a strong sense of pride in.

## What Should Be Left Unchanged, What Should Be Changed

Long-lived corporations have their foursquare founding philosophy, but they flexibly change their business contents, management methods, etc., according to changes in the environment. The important thing is to ascertain "what should be left unchanged" and "what should be changed." ALSOK has the principle of "bushi no seishin" as well as "arigato no kokoro." A *bushi*, or samurai, in a general sense is "a person who respects and keeps order and courtesy" but in another important sense they are "warriors." They embody the principle of "bushi no seishin" by proactively acquiring techniques and skills at all times and achieving constant transformation in order to win a battle. We as well have to think about how we can continue to be a corporate group

needed by society while maintaining the founding spirit and always having long-term views.

We are committed to creating ALSOK's new corporate value by providing impeccable services that receive words of "gratefulness and gratitude" from our customers, changing what should be changed, keeping what should be kept, and working on strategies tailored to changes in the environment. There are many long-lived corporations with over 200 years of history since their foundation in Japan, and the ALSOK Group is working to develop sustainable business with the aim of becoming one of them.

## Message from the President



**“Evolution” and “Deepening” that continue supporting the safety and security of customers and society**

President and Representative Director  
Chief Operating Officer (COO)

**Yukiyasu Aoyama**

In our three-year Medium-Term Management Plan Grand Design 2020 (GD2020), which starts from the fiscal year ending March 31, 2019, we view all kinds of safety and security needs surrounding Japan as business opportunities and link them to long-term sustainable growth as an integrated safety and security solutions provider.



## Looking Back over GD2017

Under the previous Medium-Term Management Plan: FY2016–FY2018, we strove to boost productivity and strengthen our sales capabilities in order to increase the top line (sales) and improve our profit margin. Having actively utilized M&As to achieve our objectives, we were able to further increase productivity in our existing security services and achieved a profit in long-term care services by expanding its business in the fiscal year under review.

Looking also at our approach to the manufacturing industry in Japan, we have expanded our business scope to include not only existing Security Services but also facility management including equipment inspections and others. Through these efforts, we support “return of manufacturing” in the manufacturing industry amid contemporary issues such as labor shortages and the aging population.

In addition, in light of recurrent disasters, we are committed to contributing to inspections of public infrastructure from a new perspective as part of measures to build national resilience.

While labor shortages are becoming an increasingly serious issue amid the progressing population decline, and declining birthrate and aging population, we need to continue to push forward with our work-style reforms. We have to provide various types of products and services that allow corporations to promote work-style reforms, and in turn contribute to the resolution of various issues. Furthermore, we are seeking to also utilize new technologies including AI, IoT, and robots to achieve breakthroughs to establish post-2020 security services and equipment management, which will require the development of human resources.

### 〈Consolidated Financial Target Achievements of GD2017〉

	Target figures (Announced in May 2015)	Actual figures (Fiscal year ended March 31, 2018)	Increase/Decrease from the Fiscal Year Ended March 31, 2015
Net Sales	Approx. ¥500.0 billion	¥435.9 billion	+¥70.2 billion
Ordinary Income	Approx. ¥40.0 billion	¥31.9 billion	+¥7.2 billion
Ordinary Income Margin	Approx. 8.0%	7.3%	+0.5 percentage point
ROE	Approx. 10.0%	9.3%	+1.5 percentage points

## Response to Environmental Changes

Among the environmental changes that occurred during the period covered by GD2017, what we found especially impactful on our business were increases in threats arising from extreme weather and natural disasters, with global warming as a backdrop in addition to increasing labor shortages.

Concerning natural disasters, there have been a series of earthquakes and torrential rains occurring across Japan, causing great damage. In order to respond to such circumstances, measures to support related parties including the public sector from the perspectives of self-help, mutual aid, and public assistance, which include consideration for risk minimization and care for the vulnerable in our society, are strongly demanded. The ALSOK Group deems it necessary to quickly establish a business scheme for comprehensive security services and equipment management.

Behind the labor shortages lie structural problems of Japanese

society, namely the declining birthrate, aging population, and population decline. These circumstances are expected to become increasingly serious going forward. While this could result in the expansion of outsourcing needs, at the same time it may serve as constraints on the growth of the security services industry which is grounded upon human resources. As such, overcoming the issue is of supreme importance. The resolution will be achieved through labor productivity improvements by utilizing Big Data and new technologies including AI, IoT, and robots and heightened operating efficiency by multitasking security guards and staff in charge of equipment.

On top of that, in our view, there is a need to proactively promote new products and services that help address the safety and security needs of local communities that are heightening on the back of increased inbound travelers, aging of infrastructure and facilities, and depopulation in rural areas.

## Message from the President

### Basic Policies of GD2020

Japan is facing a number of issues such as its declining birthrate, aging population, population decline, and aging of public and private infrastructure, and may be referred to as an advanced aging society. Threats of natural disasters and terrorism and those in cyberspace are also significant.

GD2020 positions the three years starting from the fiscal year ending March 31, 2019 as the period to achieve sustainable growth by striving for further “evolution” and “deepening” of the Group’s business. Under the five basic policies set forth in the plan, we aim to make Groupwide efforts to promote our business as an integrated safety and security solutions provider that meets society’s various needs.

#### Enhancement of existing business to correspond to diversifying needs of customers

Amid fast-paced changes in the social environment, customer needs are also increasingly diversified. We provide services that offer security services and facility management in an integrated manner, such as our ALSOK Security and Equipment Service Package, to meet such needs, and aim to further improve and enhance them. We are further committed to focusing our efforts on the provision of products and services to seamlessly protect the safety and security of senior citizens, women, and children in various activities taking place in houses they live in and other locations.

We have set up the International Affairs Division in April 2018 in anticipation of the further expansion of overseas needs. We are seeking to expand the ALSOK brand’s operations overseas while providing not only stationed security services but also electronic security services and general property management and fire protection services, not to mention strengthening collaboration with local leading companies, among other things.

#### Sophistication of security model and improvement in productivity

It is expected that labor shortages in the security services industry will continue due to the decline in the working-age population associated with the declining birthrate and aging population. The most effective way to address these issues is to improve productivity by fundamentally transforming the business model through the application of the results of technological innovations.

The following four priority themes are set forth in GD2020 for the ALSOK Group to transform its business model: “realization of services for preventive measures,” “highly-functioned robots,” “correspondence towards sophisticated crimes,” and “realization of urban space security.” As regards services for preventive measures, in particular, we will focus on developing technologies and know-how to minimize risks and damage associated with incidents by utilizing AI.

In addition, we aim to achieve improved operating efficiency and laborsaving by promoting multitasking of each security guard who engages in not only security services but also maintenance including disaster prevention inspections, etc., on equipment in buildings, thereby increasing added value per person.



#### Business expansion in the elderly market

ALSOK aims to nurture its Long-Term Care Services as the main pillar by further distinguishing ALSOK’s long-term care with an eye to expanding its services for senior citizens.

As regards the elderly monitoring business which we promote jointly with municipal governments, we intend to proceed with the building of a safer and securer watching-over network by such means as collaboration between watching-over networks of local communities and ALSOK’s distinctive services of dispatching of security guards to the scene and consultation with our staff about one’s health condition. In addition, we are committed to strengthening collaborations among the long-term care domain and the medical and health care domain and further improving our services for senior citizens as Care Plus Co., Ltd., a company that provides visiting medical massage, had joined the ALSOK Group.

#### Stable securement and active promotion of human resources

ALSOK is currently working on efforts to strengthen human resources on a Groupwide basis. We proactively promote the work-style reforms with the aim of allowing diverse human resources including women and senior citizens to play an active role and making their work rewarding, and furthermore, achieving their work-life balance. More specifically, we have set action plans to achieve correction of long working hours, an increase in the rate of acquisition of annual paid holiday, etc., and are working to establish the environment to that end. Moreover, we intend to introduce advanced education that utilizes ICT with the aim of cultivating highly specialized human resources.

- Further “evolution” and “deepening”
- Achieving sustainable growth

Fiscal Year Ended March 31, 2018  
 Net sales **¥435.9 billion**  
 Ordinary income **¥31.9 billion**

## GD2017

- 2019 G20 Osaka Summit
- Rugby World Cup 2019
- Tokyo 2020 Test Events under the control of Tokyo 2020

Tokyo 2020 Games

GD2020 target figures  
 Net sales **Approx. ¥500.0 billion**  
 Ordinary income **Approx. ¥40.0 billion**

Groupwide  
 Net sales **¥1 trillion**  
 Income **¥100 billion**

## GD2020

FY2016–FY2018

- Expansion of consolidated net sales
- Transition to a highly profitable structure

FY2019–FY2021

### Five Basic Policies



Enhancement of existing business to correspond to diversifying needs of customers



Sophistication of security model and improvement in productivity



Business expansion in the elderly market



Stable securement and active promotion of human resources



Correspondence to Tokyo 2020 Olympic and Paralympic Games

FY2022 and thereafter

Toward further market expansion

### Correspondence to the Olympic and Paralympic Games Tokyo 2020

ALSOK founder Jun Murai was deeply engaged in the operation of the Olympic Games Tokyo 1964 as 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. The Olympic Games Tokyo 1964 was precisely the origin of the Company's foundation. We are positioning the Tokyo 2020 Games as a return to our founding spirit. We are committed to fulfilling our heavy responsibilities as a co-leader of the Olympic and Paralympic Games Tokyo 2020 Security Consortium and channeling all our efforts into the realization of the event's safe and secure operation.

I also have the passion for taking the Tokyo 2020 Games as an opportunity to newly establish a model of “security services provided in a way unique to Japan” and disseminate it to the world. “Security services provided in a way unique to Japan” means security management that focuses on making use of characteristics of Japanese people such as compassion and delicate consideration, preventing crimes and terrorism and minimizing risks associated with disasters.

We will engage in the Tokyo 2020 Games with the public-private “all-Japan” security framework which will be established through concerted efforts of the security services industry in Japan and together with the Japanese government and local governments. This initiative will be a new step ahead toward the realization of “Japan as the world's safest country.”

Note: ALSOK is a Tokyo 2020 Official Partner (Security Services and Planning).

### CSR Management and Improvement in Corporate Value

The ALSOK Group's core business is to provide customers and society with products and services that contribute to safety and security. The business of protecting safety and security itself acts as a social contribution, and our sustainable improvement in corporate value is closely linked with our corporate social responsibility (CSR).

We have defined four material CSR themes, namely:

- (1) Consumer: Providing products and services that help resolve social issues
- (2) Labour practice: Cultivating human resources and building a comfortable workplace environment
- (3) Community: Contributing to local communities through active communication
- (4) Operating practice: Providing trustworthy security services

These overlap with the 17 Sustainable Development Goals (SDGs); and in recent years, I have become increasingly aware while working on our CSR activities based on environmental, social, and governance (ESG) factors that achievement of the SDGs is essential for sustainable improvement in corporate value.

Corporations cannot grow if the local community does not grow. Local communities, municipal governments, and corporations are formed of individuals; protecting them is, in fact, protecting the safety and security of individuals. Receiving high recognition from stakeholders as a corporate group that provides integrated safety and security solutions protecting people's smiling faces and local communities, and relate it to the sustainable improvement in corporate value—I believe this is precisely the growth path the ALSOK Group should follow.

# Initiatives for "ALSOK × Cutting-Edge Technologies = ∞ Safety and Security"



Robot

5G

AI

## ALSOK's Research and Development System

Under the situation where various issues surrounding modern society—the declining birthrate and aging population, labor shortages due to the population decline, frequent natural disasters, and threats of terrorist attacks—materialize, ALSOK constantly works to “create new safety and security” by adopting the latest ICT into the know-how it has accumulated so far as a security services company. ALSOK's R&D is supported mainly through the four sections indicated below, supporting the creation of security that proactively utilizes cutting-edge technologies.

The Security Science Institute plays a central role in further improving efficiency and pursuing higher performance of ALSOK's existing electronic security services systems and creating technologies to build a new style of security services. These days in particular, among the advanced technologies, we place focuses on 4K high-resolution cameras that act as “eyes,” AI that acts as a “brain,” and 5G (fifth generation of cellular mobile communications) that acts as “nerves” to connect the eyes and the brain, and are pushing forward with research aiming at introducing security services systems that organically combine them.

In addition to the foregoing, we proactively promote collaboration among the industry, government, and academia including corporations and universities working on research and development of the latest technologies, and initiatives for open innovations.

The section takes charge of manufacture and configuration of equipment and systems. At ALSOK, a system is established to enable cooperation with manufacturers, telecommunication companies, system-related corporations, etc., that have technologies appropriate for the purposes of the new products and services. We create high-quality products through discussions for optimization among the parties, with a focus on speediness.



Products and services that protect customers and society are planned in various domains related to safety and security while adopting new technologies and ideas. We always consider matching between social issues and technologies to solve them in order to promptly deal with increasingly diversified and complex needs, labor shortages, etc., and what is more, to expand the role of security services.

Many of the completed equipment and systems will generate value as “ALSOK's products and services” by combining them with security services, etc., provided by the ALSOK Group throughout Japan. We also provide maintenance, management, and service on an end-to-end basis, offering safety and security in a comprehensive way.

We uphold “sophistication of security model and improvement in productivity” as one of the basic policies stipulated in the new Medium-Term Management Plan, GD2020, formulated with an eye toward the realization of long-term sustainable growth and aim to establish a business model that proactively utilizes cutting-edge ICT.

In this special feature, we present an overview of ALSOK’s research and development system to create new security and examples of the latest verification tests, etc.

## Pioneering Example: Building a Safe and Secure Community Utilizing AI and Robots

ALSOK is pursuing future security services by participating in an initiative aimed at building a safe and comfortable community undertaken by Mitsubishi Estate Co., Ltd.

In January 2018, we conducted a verification test of New Hospitality Services at Shin-Marunouchi Building (Chiyoda-ku, Tokyo) in which camera images were analyzed using AI. It was an experiment where images from security cameras in the building were analyzed using AI to automatically detect behavior of people who seem to be “in trouble” such as having got lost, not feeling well, etc., and people in wheelchairs or with infants, and send this information to smartphones held by security guards patrolling in the area, the purpose of which is to prevent accidents and improve services for customers.

As a result, we identified some kinds of behavior that we can successfully detect highly precisely and obtained effective data on how to assist “patrolling,”

which had previously been done visually by security guards inside buildings and facilities where so many people were passing by, through the analysis of camera images using AI. We also identified issues to be addressed toward commercialization.

It was followed by the replacement of conventional stationed security guards with REBORG®-X, ALSOK’s security robot, at Shin-Marunouchi Building, in conjunction with the Initiatives for Building a Prosperous Community in the Marunouchi Area Utilizing Robots starting from April of the same year. The purpose is to verify the effectiveness of robots and serve customers with hospitality by mounting functions to search stores in the building and provide information about surrounding stations as countermeasures against future shortages of security guards. At present, REBORG-X serves around the clock providing customers with various information in the daytime and patrolling and security guarding at nighttime. The robot is beloved and popularly known by many of the customers visiting the building.



New Hospitality Services verification test

On average, approximately 200 customers touch the information screen per day (estimate)



Automated patrols inside the building at nighttime

# Latest Major Examples Toward

## Initiatives for Safety and Security Utilizing AI

ALSOK is currently working on the development of a new security model with enhanced image monitoring.

Crime prevention utilizing electronic security services has conventionally been based on a framework under which a security guard is dispatched to the scene in response to an alarm upon intrusion detection made with sensors and cameras. However, in recent years customers' needs have shifted to "intrusion prevention," "crime prevention," etc., and there also exists heightened interest in terrorism countermeasure services.

In this context, while satisfying the aforementioned needs by effectively utilizing camera images, we aim to prevent damage at

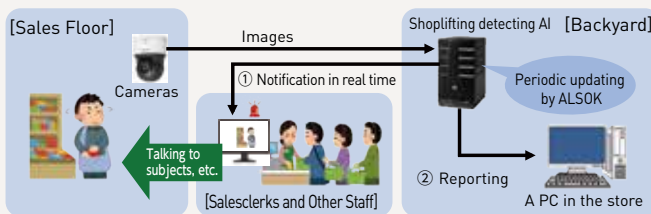
an earlier stage through AI's identification of suspicious activities and objects based on camera images in the near future and also help prevent occurrence and expansion of terrorism and similar crimes in public spaces. At present, moves toward commercialization have been accelerated as exemplified by the proactive implementation of verification tests at contracts, etc.

We are committed to continuing the promotion of products that utilize AI and expansion of the lineup so as to enable our customers to live their daily life even more safely and securely with ALSOK's new security services that embrace the latest technologies.

### Examples of Technologies Utilizing AI under Research

#### Shoplifting Activity Detection

Camera images are analyzed using AI to detect activities before committing shoplifting (line of sights and behavior way of the surroundings), etc., and prevent the commission of offenses.



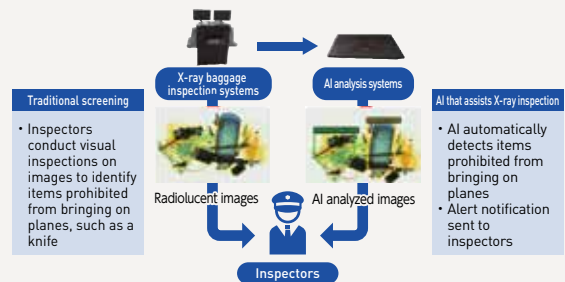
#### Detection of Abnormal Noises

Sounds such as people's screaming and breaking of glass are detected using AI. The accuracy of abnormality detection is heightened as the sensing function gets closer to the five senses of a human being by combining the "eyes" of cameras and the "ears" of microphones.

Note: This research has been proposed jointly with Hmcomm Inc. and selected as a contracted R&D project of the New Energy and Industrial Technology Development Organization (NEDO).

#### AI That Assists X-Ray Inspection

Images from the X-ray screening systems used at airports for baggage inspections, etc., are analyzed using AI and items prohibited from bringing on planes are automatically identified.



## Sophistication of Security Robots

ALSOK boasts a history of security robot research and development spanning over 30 years, and the robots have played an active role in information desk work for customers, patrols, etc., at many of the facilities and event venues throughout Japan. Now is just about the time when security services by robots are entering a new stage.

The state-of-the-art security robot REBORG-X participated in the "Robot Experiment Project at Haneda Airport" during the period between fiscal 2017 and fiscal 2018 to verify the effectiveness of the functions to provide information and security services at public spaces crowded with a large number of unspecified customers.

As a result, the practicality of various functions necessary for the dissemination of security robots has been verified, including continuous and safe automated patrols, the convenience of the function to provide customers with facility information using touch panels and speech recognition, detection of suspicious individuals using facial recognition and detection of intruders at the nighttime.

Moreover, the robot is expected to assume new roles in the future such as earlier detection of signs of incidents using cameras and sensors and utilization in terrorism countermeasure services. We strive to keep REBORG-X evolving so that it will be actively used by many of our customers.



The first guard robot completed in 1985



REBORG-X undergoing the Haneda Airport verification test

# Creation of New Security

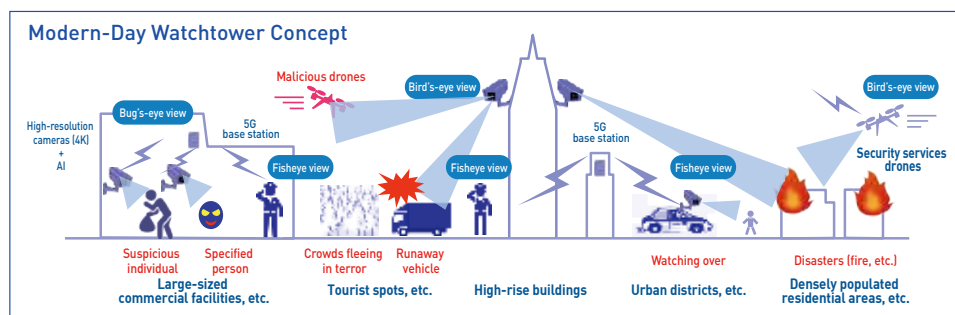
## Realization of Urban Space Security with 5G

In pursuit of sophisticated security services that utilize 5G technologies, ALSOK participated, as a corporate partner, together with NEC Corporation, in the “Comprehensive demonstration test on the fifth-generation mobile communications system (5G) for the creation of a new market with the realization of 5G” sponsored by the Ministry of Internal Affairs and Communications and implemented by NTT DOCOMO, INC. in fiscal 2018. In the verification test, where security services were assumed to be provided within facilities, it was confirmed that accurate understanding of the circumstances is possible as a result of the fact that the frequency of successful face identification was significantly increased as the smoothness of the images of the security guards’ wearable cameras improved thanks to the ultra-high speed and high-capacity telecommunication capabilities of 5G.

In addition, as an attempt to watch over urban spaces from a panoramic perspective, a verification test on wide-area monitoring utilizing the 4K high-resolution cameras installed at Tembo Deck of TOKYO SKYTREE® [340 meters above ground] and the AI processing servers was conducted, from which we obtained effective

verification results on detecting anomalies on the hypothesis of fires, traffic accidents, etc.

We aim to realize new security services systems capable of monitoring the entire urban space by commercializing these technologies in the future. In addition, as illustrated in the conceptual image of the “modern-day watchtower,” we will promote initiatives that enable us to create new platforms to comprehensively provide safety and security in urban spaces in the areas of not only security services but also as an alert for natural disasters, watching-over of dementia sufferers to prevent such individuals from becoming lost, monitoring of social infrastructure, etc.



## Initiatives for Security Operations at Large-Scale Events

In security operations at large-scale events undertaken in recent years, ALSOK has worked to utilize ALSOK Zone Security Management in which three-dimensional and complex monitoring is provided, making skillful use of not only ALSOK Hyper Security Guard—security guards armed with ICT equipment such as wearable cameras—but also various ICT equipment including sensors, surveillance cameras, robots, etc.

On another front, the keys to ALSOK’s Electronic Security Services are the “automatic direct routing system\*” under which servers in the Guard Centers centrally receive alarming signals from the contracts, immediately detect the closest security guard, and automatically issue an order to dispatch a security guard to the scene, and the “dispatch system” that automatically sends customer information to the mobile device of that closest security guard to be dispatched.

ALSOK combines these systems developed to dispatch security guards to customers’ places as swiftly as possible with ALSOK Zone Security Management and pushes forward

with initiatives toward the realization of efficient and effective security operations at large-scale events. Additionally, we aim to achieve more sophisticated security services through commercialization of high-resolution images, AI, 5G, etc.

We are also working on the development of a “Staff communication tool” (tentative name) that allows all on-site staff, including workers and volunteer members, to connect to the monitoring center using a smartphone app for security services communications. It is a system created to ensure the safe and secure operation of events, under which potential risks noticed by staff who felt there was something “odd” or “unusual” are consolidated to the monitoring center in real-time via the app, and the closest security guard immediately handles the situation. This means that all on-site staff have the “eyes of security guards” and form a network as a security community.

ALSOK Zone Security Management will continue evolving going forward as well.

\* The automatic direct routing system is ALSOK’s proprietary system for which a patent was granted in 2012.



## ■ Security Services Operations



### Key Events from October 2017 to September 2018

- Acquired Gunma Sohgo Guard System Co., Ltd. as a wholly owned subsidiary through a simplified share exchange (October 3, 2017)
- Conducted verification test analyzing camera images using AI (January 11, 2018)
- Launch of Assembly-Type Metal Detector (March 5, 2018)
- Formation of ALSOK Myanmar Security Services Co., Ltd. as an overseas subsidiary (March 12, 2018)
- Establishment of the Olympic and Paralympic Games Tokyo 2020 Security Consortium and assumption of a post as a co-leader (April 3, 2018)
- Commencement of trial operation of the ALSOK Traffic Control System (June 26, 2018)
- Launch of the 3D Laser Radar with highly precise detection performance (June 25, 2018)
- Participation in the smart city project of Kakogawa City (July 18, 2018)

## Electronic Security Services



Introduction video  
(in Japanese only)

For corporate customers, the number of facilities that have introduced the electronic security services systems topped 500,000. We provide all-in-one services that satisfy diverse needs including those arising from work-style reforms, which include not only ALSOK-ST (read as "ALSOK Standard"), a standard security system equipped with monitoring and management services for intrusions, fires, equipment, etc., and image monitoring, but also ALSOK-GV (read as "ALSOK G-five"), which allows customers to browse information related to when employees arrive at and leave work, etc., and operate equipment remotely through a website.

For individual customers, we proactively promote products and services to protect the safety and security of residences and daily life, and the number of households enrolled in ALSOK's home security services (including housing complexes) has surpassed 1.11 million. The contract numbers of Home Security Basic, the current standard model in ALSOK's home security lineup; HOME ALSOK Premium, which allows customers to check the camera images themselves; and other services are steadily growing. In addition, sales of ALBO eye, a personal security service that requires no installation, and HOME ALSOK MIMAMORI SUPPORT, which watches over the safe and healthy lives of

senior citizens with Emergency Reporting services, etc., are also increasing.

We aim to create, in the near future, electronic security services that go beyond conventional intrusion detection services to help prevent crimes and accidents before they happen by utilizing, for example, analysis of images from security cameras using AI, facial recognition, 5G telecommunications, etc.





## Stationed Security Services

Introduction video  
(in Japanese only)



The Stationed Security Services segment continues to deliver solid performance as demand for security services is strong due to such reasons as needs to outsource in-house security operations on the back of labor shortages across Japan and construction of new office buildings and large-sized commercial facilities associated with urban redevelopments.

Going forward, we aim to improve our security services capabilities in a broader range as well as in their swiftness and also optimize costs through the provision of state-of-the-art security services that enable fast response to occurrences or signs of an incident and collaboration between security guards armed with IoT equipment combined with new ICT, and the accumulated know-how in Stationed Security Services. Through this, we help to resolve the difficult issue of labor shortages in the security services industry.

## Transportation Security Services

Introduction video  
(in Japanese only)



There was a strong trend in orders for Total ATM Management Services according to the outsourcing needs of financial institutions.

In addition, demand for the Cash Deposit and Dispenser Machine On-Line System for retail stores and restaurants, etc., is increasing with the progression of work-style reforms and labor shortages as its backdrop.

In the meantime, discussions on the promotion of cashless payments accelerated in Japan on account of improved productivity, etc., and the needs for such payments is also increasing rapidly in line with the increased number of inbound travelers.



ALSOK will work to provide the Multi-QR Payment Solution, which supports cashless payments alongside the new cash management services that merge register operation with the Cash Deposit and Dispenser Machine On-Line System, and thereby to provide one-stop services for payment methods broadly ranging from cash to cashless.

## Further Enhancement of Overseas Operations of the ALSOK Brand



ALSOK currently operates its business in various Asian countries. In these regions, approximately 4,000 security guards who have completed ALSOK original education provide ALSOK-quality services, and the security services quality has received strong reputation from local customers.

The International Affairs Division was newly set up in April 2018 to further accelerate the overseas operations of the ALSOK brand. We strive to expand our overseas business substantially by providing electronic security services and general property management and fire protection services on top of existing stationed security services, and what is more, by increasing business collaboration with local leading companies, among other things.

## ■ Non-Security Operations



### Key Events from October 2017 to September 2018

- Commenced collaborative service between PC Management Services and antivirus software MR-EP (March 29, 2018)
- Conducted verification test toward the "Realization of a safe and secure ICT environment" jointly with the Wakayama Prefectural Board of Education and Wakayama University (April 6, 2018)
- Acquired Care Plus Co., Ltd. as a subsidiary (June 18, 2018)
- Conducted verification test of plant inspections using drones (July 2, 2018)
- Commenced the Solution for Improving the Safety of Internet Usage Environment (July 17, 2018)
- Commenced the ALSOK Multi-QR Payment Solution (August 20, 2018)

## General Property Management and Fire Protection Services



The ALSOK Group is working to provide comprehensive property management services, which encompass the maintenance, management, and operation of various facilities, based on increased coordination between Group companies, and receiving orders steadily for comprehensive building management services, cleaning services, and equipment installation work. In addition, needs for disaster prevention and mitigation have increased due to natural disasters occurring frequently throughout Japan, and sales of disaster preparedness items such as stockpiles, batteries, and items for flood-control measures, and smoke alarms for households are also growing.

In addition to the above, we boast a continued large share in AED sales in Japan, with the aggregate number of units sold exceeding 150,000.

Outsourcing needs related to operation and management of buildings and facilities are expected to keep increasing due to labor shortages. Accordingly, we are committed to enhancing the contents of our products and services including the ALSOK Security and Equipment Service Package.



## Long-Term Care Services



The ALSOK Group provides long-term care services in the Tokyo metropolitan area and in other major cities, including Osaka, Nagoya, and Sendai. At the core of the business are three companies, namely HCM Corporation, ALSOK Care & Support Co., Ltd. and Wisnet Co., Ltd., and at present there are 340 service bases and approximately 18,600 users (as of March 31, 2018).

A broad range of services are provided on a Groupwide basis, ranging from in-home care services to in-facility care services, and a system has been put in place to be able to meet diverse customer needs. Meanwhile, social interest in longer healthy life expectancy and improved physical functions is increasing, and the long-term care insurance system is pointing the way toward increased emphasis on supporting independence. In this recent context, the Group acquired Care Plus Co., Ltd., which provides visiting medical massage, to enhance our services. We will work to strengthen collaboration with medical institutions and

rehabilitation functions so as to keep enhancing our service systems even more.

In addition, we aim to provide comprehensive services, which are long-term care services provided by a security services company, that would lead to ensuring the safety of facility users through collaboration with security services, provision of safety and security for users and their families, and improved convenience.



Visit by ALSOK-certified athletes Kanae Yagi (right) and Namika Matsumoto (left) to one of our long-term care facilities

## Other Services

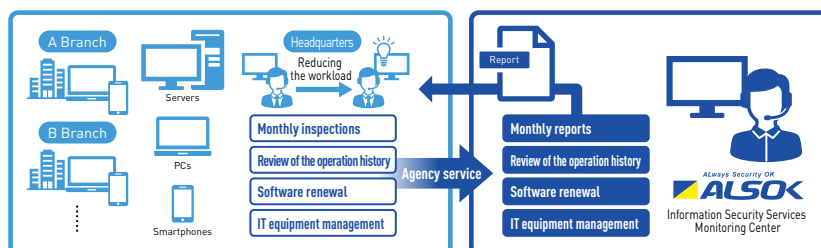
Sales of services in the information security field that address cyberspace threats and safety confirmation systems, an indispensable part of companies' business continuity plans (BCPs), have been strong.

In the information security field, in particular, those with experience in personnel exchanges with the Center for Financial Industry Information Systems (FISC) are playing an active role. The ALSOK PC Management Service in which ALSOK's Information Security Services Monitoring Center carries out various operations related to information security on behalf of the contracts, including software version and license management which are becoming increasingly complex following the widespread use of tablets and other smart devices, has been drawing more attention as a service capable of strengthening cybersecurity and reducing the operational workload of people in charge of security at the contracts.

MAMOLOOK, a GPS-equipped multifunctional mobile security terminal, meets needs to watch over children and senior citizens outdoor. Need for the product is also increasing as a tool to

protect the safe working environment in such ways as to ensure the safety of working women who meet their customers alone and to prevent employees working in factories and construction sites from getting involved in accidents. Our watching-over service involving a whole local community that uses lightweight and miniature MIMAMORI Tags and a smartphone app is selected by many municipal governments as a measure to watch over senior citizens with dementia, etc.

In addition to the foregoing, we are proactively promoting solution services for addressing types of crises that have been frequently occurring in recent years including support for countermeasures against disasters caused by volcanic eruptions, flooding, wildlife damage, etc., and our telegram service which takes advantage of the ALSOK Group's nationwide network, among other things.



ALSOK PC Management Service

## Establishment of the Olympic and Paralympic Games Tokyo 2020 Security Consortium and Assumption of a Post as a Co-Leader

ALSOK established the Olympic and Paralympic Games Tokyo 2020 Security Consortium and assumed a post as a co-leader to contribute to the realization of the "safety and security" of the Olympic and Paralympic Games Tokyo 2020. As a Tokyo 2020 Official Partner, ALSOK had engaged in continuous discussions on the security framework for the Olympic and Paralympic Games Tokyo 2020 with the Tokyo Organising Committee of the Olympic and Paralympic Games, etc. As a result, the "all-Japan structure" was determined to be the best measure available, where participation is made by not only two partner corporations in the Security Services and Planning category but also many other security services companies. Accordingly, the so-called joint venture method was selected to pursue the event's success.



We are committed to firmly fulfilling our role as a co-leader of the Olympic and Paralympic Games Tokyo 2020 Security Consortium and channeling all our efforts into contributing to the realization of the "safe and secure" event through concerted efforts of the whole industry.



Note: ALSOK is a Tokyo 2020 Official Partner (Security Services and Planning).

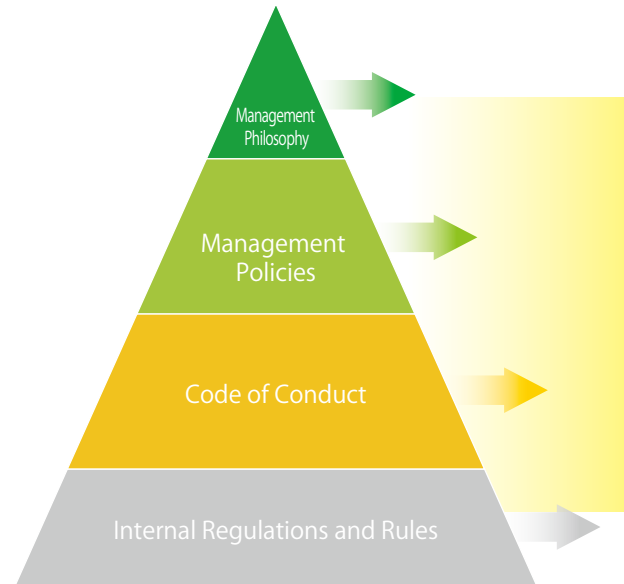
# CSR Management

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.



In 2014, we defined four material CSR themes as specific pillars of our CSR activity policy to pursue ongoing improvements in corporate value while developing our business. We also facilitate CSR activities to resolve social issues from a global perspective through verification of compliance with the Sustainable Development Goals (SDGs), which were adopted by the United Nations with the aim of resolving some of the major problems affecting the world.

## ALSOK Charter

Management Philosophy	Code of Conduct
<p>Based on two core principles exemplified by “<i>arigato no kokoro</i>” (a feeling of gratefulness and gratitude) and “<i>bushi no seishin</i>” (a samurai spirit), we devote ourselves to protecting the safety and security of our customers and of society as a whole.</p>	<ol style="list-style-type: none"> <li>1. We will devote ourselves to serving our customers and society as a whole in a way that reflects a feeling of gratefulness and gratitude.</li> <li>2. We will embody a samurai spirit in everything we do based on toughness, fairness, and generosity, standing firm in the face of adversity and banding together to embrace success.</li> <li>3. We will value autonomy in our actions, empowered by “<i>yacho seishin</i>” [the spirit of a wild bird]—which represents independence, self-respect, perseverance, acuity, and tenacity—and take responsibility for delivering results.</li> <li>4. We will carry out our day-to-day activities based on the principles of sincerity, accuracy, strength, and speed.</li> <li>5. We will know no complacency, always marching forward purposefully while growing and refining our business to continue to provide value to customers and to society as a whole, thereby continuing to be relevant.</li> <li>6. We will pursue perpetual self-improvement and remain highly committed to compliance, thereby attracting and nurturing human resources of the caliber worthy of the industry leader.</li> </ol>
<p>Management Policies</p>	
<ol style="list-style-type: none"> <li>1. <b>Fundamental Spirit</b> 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.</li> <li>2. <b>Priority</b> 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.</li> </ol>	<ol style="list-style-type: none"> <li>3. <b>Basic Strategy</b> 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 everchanging times.</li> <li>4. <b>Contributing to Society</b> 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.</li> </ol>

# ALSOK's CSR

ALSOK facilitates its CSR activities based on its corporate philosophy.

## Initiatives for Realizing Sustainable Improvement in Corporate Value

### Material CSR Theme 1

Providing Products and Services That Help Resolve Social Issues



### Material CSR Theme 2

Cultivating Human Resources and Building a Comfortable Workplace Environment



### Material CSR Theme 3

Contributing to Local Communities through Active Communication



### Material CSR Theme 4

Providing Trustworthy Security Services



Consideration for the Global Environment



## CSR Promotion Framework

The ALSOK CSR Office takes the initiative in strengthening the Company's CSR promotion framework. In addition to our in-house quarterly ALSOK CSR Newsletter and our CSR Activities Guide, we hold CSR seminars and workshops for newly promoted managers to cultivate a CSR-based mind-set in all employees.

Furthermore, we conduct CSR activity surveys of employees at the Head Office, branches, and all Group companies once each year to collect quantitative and qualitative information on the state of ESG matters within the Group. 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.



ALSOK has been included in the FTSE4Good Index Series, a socially responsible investment index, for 11 consecutive years.



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



2018 Constituent 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



## Providing Products and Services That Help Resolve Social Issues

ALSOK offers a multifaceted lineup of services that help resolve issues faced by customers and society through an accurate understanding of changes in the natural environment and social trends by leveraging its security services expertise.

Relationship with SDGs



## Development of Communities Where Everyone Is Safe

### Emergency Reporting System to Protect Senior Citizens and Differently Abled Individuals

ALSOK's Emergency Reporting System was developed with the goal of watching over senior citizens and differently abled individuals. Due to the lack of personnel and the significant burden on individuals, the number of municipalities contracting with ALSOK to provide this service has been increasing. Our Emergency Reporting System allows our staff to visit and enter individual residences, with staff being given spare keys, in response to emergency alerts and requests for safety confirmation checks; the system also includes a health consultation service provided by certified nurses and other personnel, and is popular. The Emergency Reporting System has been adopted by Chiba City, Sendai City, and many other municipal governments.

Number of Municipal Governments using ALSOK's Emergency Reporting System  
(As of March 31, 2018)

# 474

### MIMAMORI Tag Service Watches Over Children and Senior Citizens in Our Communities

In cooperation with individual municipal governments and support from communities, ALSOK promotes the development of communities where children and senior citizens live securely through its MIMAMORI Tag Service. For example, with regard to safeguarding children, we have been entrusted with the implementation of the ICT Safe and Secure Social Infrastructure Development and Maintenance Project, which uses custom-made detectors and security cameras placed along school routes in Kakogawa City. In addition, our services were adopted for the Smart Wellness Housing Test Project initiated by the Ministry of Land, Infrastructure, Transport and Tourism to watch over senior citizens with dementia. Currently, ALSOK is collaborating on this project with 10 municipal governments throughout Japan to create regional networks for watching over residents. This project has already contributed to locating missing persons.

MIMAMORI Tag (left) and MIMAMORI Tag Detector (right) that contributes to the development of regional networks



## Development of Products and Services that Respond to the Shrinking of the Labor Force in Japan

### Comprehensive Property Management Service—ALSOK Security and Equipment Service Package

Due to the rapidly declining population, decreasing birthrate, and aging population, a wide range of industries have faced serious shortages of human resources and difficulty securing staff required to maintain their buildings.

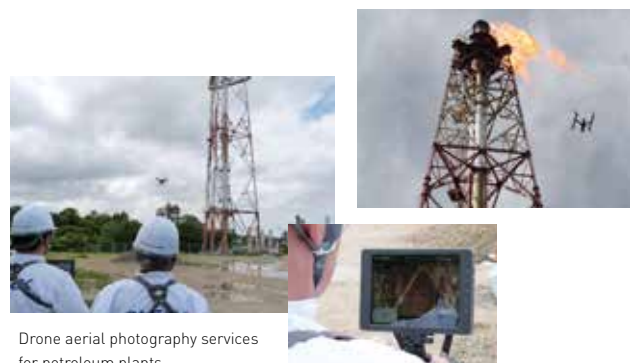
Since 2017, ALSOK has provided the ALSOK Security and Equipment Service Package through its Group network. This is a comprehensive building management service that seeks to optimize building and facility management, and which includes security, equipment management, cleaning, and other value-added services.

### Management Services Responding to Aging Social Infrastructure

Aging social infrastructure has also become a serious issue for municipal governments facing a lack of human resources. ALSOK's wide range of maintenance and support services, such as road surface monitoring and bridge and tunnel inspections, contributes to the prevention of disasters caused by accidents.

### Drone Aerial Photography Services for Petroleum Plants

ALSOK is developing solutions to energy plant maintenance and management issues such as dangerous high-elevation work, high costs, and a lack of skilled operators. In July 2018, we used drone aerial photography to validate effective and safe inspections for a flare stack, a pipe used to carry unwanted gas generated in the manufacture of petroleum products so they can be burned off and detoxified.



Drone aerial photography services for petroleum plants

## Measures against Frequently Occurring Natural Disasters

### Flood Control Act Response Solutions

The Flood Control Act was revised in 2013 to enhance disaster prevention measures, maintain public safety, and mitigate damage when powerful typhoons and record-breaking torrential rain occur. This revision specified the obligation of managers of underground shopping complexes and other facilities which face the risk of damage that can quickly become serious enough to put human lives at risk to establish evacuation and flood prevention plans, implement drills, and establish independent flood control organizations. The revision in 2015 added the obligation to seek the opinion of the owners and managers of connected buildings. Management responsibility has increased each year.

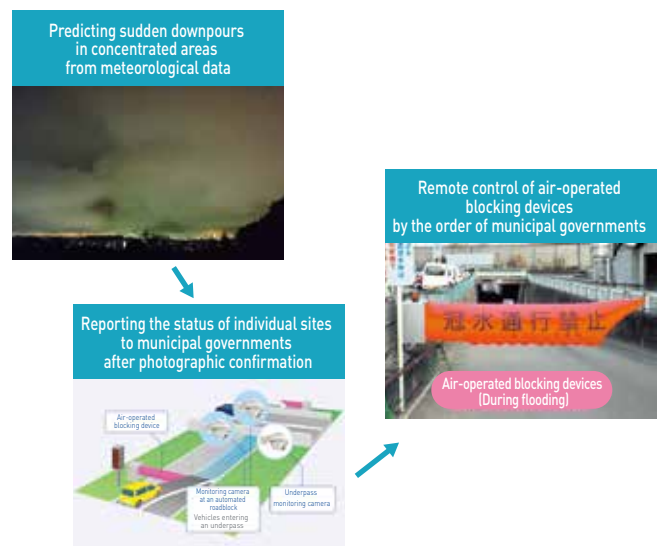
ALSOK provides Flood Control Act Response Solutions for integrated risk-management support, covering every stage from the establishment of plans and the implementation of training and drills, through to the implementation of effective response when facilities have become flooded, so as to ensure the safety of facility users and employees.



### Underpass Monitoring Service

Flooding often occurs on roads during typhoons and hard-to-predict downpours of rain in concentrated areas. The depth of water collecting in underpasses\*, the structure of which tends to cause water to collect there, is hard to estimate, and this increases the risk of accident and damage. ALSOK offers an Underpass Monitoring Service that helps to protect vehicles from accidents caused by flooding, by implementing emergency communication that makes use of weather information, flooding sensors that can detect hazardous water levels, and security cameras, in combination with automated roadblocks.

\* The lower road at grade separations



Sluice pipe operations



Ultrasonic-type level gauge

### River Monitoring Solutions

ALSOK facilitates flood prevention by monitoring river water level with ultrasonic-type level gauges and the operation of sluice pipe gates. While ALSOK is commissioned to monitor the measurement devices for rivers and dams in Joso City, Ibaraki Prefecture damaged by the torrential rains in the Kanto and Tohoku regions in 2015 and Kyushu Regional Development Bureau offices in Fukuoka Prefecture, it also controls sluice gate operations at Yokkaichi Port in Mie Prefecture.

### Emergency Kits for Disaster—Emergency Supply Kits for Senior Citizens

ALSOK launched emergency kits in May 2017 for use by senior citizens requiring nursing care and other individuals during evacuation when disaster strikes. Based on the opinions of staff from the ALSOK Group's nursing care company who had experienced the 2016 Kumamoto earthquakes in Japan, we selected essential items for senior citizens during evacuation, such as food, including liquid nourishment, daily commodities, and nursing care products.



Material CSR Theme

2

## Cultivating Human Resources and Building a Comfortable Workplace Environment

ALSOK is constantly working to improve the workplace environment to enable human resources, which are the base of sustainable growth for the Company, to fully exercise their talents through the enhancement of training systems, active support for career development, and the promotion of diversity.

Relationship with SDGs



### Development of Human Resources That Embody ALSOK's Philosophy

#### Employee Skill Improvement Program and Their Career Development

The ALSOK Group takes the initiative in improving education and training systems aiming to cultivate human resources capable of embodying their commitment to doing their utmost to protect the safety and security of customers and society, which is the goal of its corporate philosophy.

Through the Employee Skill Improvement Program, we continuously improve ALSOK's correspondence education programs, which now include 110 courses. Considering globalization and the Olympic and Paralympic Games Tokyo 2020, ALSOK has newly provided its Introduction to Chinese Conversation with Hospitality in addition to the existing English, Korean, and Spanish programs it offers to improve multilingual conversation skills. ALSOK also operates the ALSOK LIBRARY. Boasting 3,671 books as of March 31, 2018,

the ALSOK LIBRARY provides employees with broad opportunities to read.

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.



Training

### Respect for Human Rights and Diversity

#### Promoting Diversified Human Resources

ALSOK has developed frameworks to enable diverse human resources to fully exercise their talents. We place effort in providing approximately 8,500 female employees (including part-time employees, as of March 31, 2018) with a workplace environment that empowers them. These efforts have received a high degree of external recognition.

In February 2017, ALSOK was 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 August 2018, the Company met the standards in all areas for certification as a Level 3 company, the highest rank. In April 2018, our efforts to ensure a working environment that enables female employees to exercise their talents were recognized by

the Japan Productivity Center with the Encouragement Award of the 3rd Women Empowerment Award.

In 2010, ALSOK Business Support Co., Ltd., a specially certified subsidiary under the Act on Employment Promotion of Persons with Disabilities which undertakes business card printing, print-on-demand (POD) business, etc., was established as part of our efforts to normalize the presence of differently abled individuals in the workplace and ensure employment exceeding the statutory rate. 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.



ALSOK promotes respect for human rights and different cultures overseas. In Thailand, we actively promote the advancement of female employees in the sales department, and promote career development through improvement of the maternity leave system. We also provide an in-house place of worship in Indonesia for Muslim employees and make business rotation plans to allow all Muslim employees time for worship. ALSOK continues to prioritize consideration for different cultures.



Women Empowerment Award ceremony



Eruboshi certification logo

## Work-Style Reforms and Work-Life Balance

### Enforcement of Welfare System

ALSOK puts effort into improving the working environment so that employees can continue to work with peace of mind, while enjoying a better work-life balance.

We also offer ALSOK LTD, long-term disability insurance designed to help replace lost income in the event that an employee is unable to work for an extended period. We also provide a wide range of welfare programs such as special discounts for sports facilities and hotels, so that employees can enjoy satisfying, high-quality leisure time.



### Work-Style Reform Action Plans

For a company to continue to grow, its employees must have fulfilling professional and private lives; and the working environment must energize employees.

To realize highly efficient and productive employee work styles, ALSOK implemented its 3-year Work-Style Reform Action Plans starting from April 1, 2018. We set numerical targets to correct long overtime work, increase the use of paid leaves, and promote flexible work styles. In addition to currently implemented no-overtime workdays (twice per week), we also promote specific action plans such as the Platinum Holiday System for long-term paid leave.

By the end of March 2021

Rate of Annual Paid Leave Use

**Improved by 10%**

[Compared with fiscal 2018]

Number of Female Employees

**Improved by 5%**

[Compared with March 31, 2018]

Overtime Working Hours

**Reduced by 5%**

[Compared with fiscal 2018]

## Promotion of Health Management

### Health Management for the Company and Employees

Ensuring occupational health and safety, and helping employees maintain sound physical and mental health is vitally important for a business enterprise. Accordingly, ALSOK has established occupational health and safety committees at all offices and has formulated targets for the prevention of occupational accidents. We are also developing and instituting occupational health and safety education programs. Through these efforts, we seek to ensure safe workplaces and employee health. In addition, ALSOK is a partner to the Ministry of Health, Labour and Welfare's Action Plan for Companies Promoting Cancer Prevention Program. As a partner, we incorporate more extensive tests into regular health examinations and enable screenings for multiple cancer types to be conducted simultaneously. We also host Hustle Weight Loss Games (a collaborative health event) and Aruchokku Challenge (promoting walking) each year in cooperation with the ALSOK Health Insurance Society. These activities help employees manage their health with enjoyable ways 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).

Such unified efforts for health management by the Company and employees were recognized under the 2018 Certified Health and Productivity Management Organization Recognition Program (White 500) for two consecutive years from 2017.



Employee undergoing a health examination

Material CSR Theme

3

## 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.

Relationship with SDGs



## Contributions to Safety for Communities Utilizing the Know-How of Security Services

### Safety for Children

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. The program has been running for 14 years, and over 45,622 classes have been conducted with the participation of more than 1,426,000 children (as of March 31, 2018).

ALSOK also hosts activities that teach children the importance of the security work that helps to keep communities safe and secure. Together with the 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. The fifth iteration of this program in July 2017 was based on the theme of The Frontline of Security. Students participating were given the opportunity to experience cutting-edge technologies using drones and security techniques of the future using AI while learning the principles and basic skills of guard work. In April 2018, ALSOK held an exhibit at Manabi no Fes 2018 Spring, an annual hands-on education event for elementary school students and their parents sponsored by The Mainichi Newspapers Co., Ltd. This exhibit included an emergency first-aid experience activity using the SHIN-NO-SUKE-KUN chest compression training machine, which displays users’ “score” so that they can see how effectively they have performed.



Work experience program—On the Frontline of Security

### Safety for Senior Citizens

Using its know-how in senior citizen support and the nursing care business, ALSOK holds its ALSOK HOTTO LIFE KOZA, a visiting class program that includes two types of class: one that teaches senior citizens about recent trends in the categories of crime targeting their age group, and how to protect themselves against these types of crime, and one designed to teach participants how to use an AED in the event that their partner or another family member has collapsed. In fiscal 2017, ALSOK conducted these two classes on 95 occasions for a total of 2,477 participants. In addition, ALSOK security staff approached senior citizens using their mobile phone at ATMs to guard them against falling victim to bank transfer scams targeting senior citizens. In fiscal 2017, ALSOK helped to prevent 99 bank transfer scams. For this effort, we received 53 letters of appreciation from the relevant authorities.

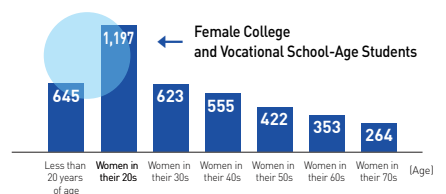


ALSOK HOTTO LIFE KOZA

### Safety for Women

ALSOK holds an ALSOK Women’s Crime Prevention Seminar visiting seminar. Our female staff familiarize female college and vocational school students—who belong to an age group which is statistically particularly likely to become a victim of crime—with case studies of crimes targeting women, and teach them practical techniques for defending themselves. In fiscal 2018, we held 55 seminars, with a total of 2,418 participants.

Number of Crimes against Women (per 100,000 people)



Source: “Crime Trends 2013” by the National Police Agency of Japan. The numbers are rounded down to the nearest decimal.

## Donations, Patronage, and Sports Promotion Activities

### Support for the Next Generation

ALSOK donates enthusiastically to various causes as part of its social contribution activities. Since 2017, ALSOK has donated a portion of its profits from home security-related products through the Fund to Support Children's Future established as a part of the National Movement to Support Children's Future promoted by the Cabinet Office. Our donations have been used for NPOs engaged in helping children suffering from poverty.



Catalog presentation by ALSOK

### Contribution to Culture and the Arts

ALSOK's business provides security services to protect historical buildings and natural heritage sites that have been designated as World Heritage. In addition, the Group supports the continuation of traditional events, encourages employee participation to contribute to their success and provides patronage for 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 Year season. This club's activities have been certified as a This is MECENAT 2018 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

### Promoting and Supporting Sports

ALSOK currently has a total of 10 sports clubs, including its prestigious wrestling club as well as its judo, weight lifting, marksmanship, and track and field clubs. These clubs have contributed to promoting sports in Japan by producing numerous national team athletes and world champions. Currently, we also make a concerted effort to provide support to para-athletes in track and field and goalball who have set their sights on international competition.



Para Athletics Track and Field-200m  
Yoshimasa Kitaura  
[ALSOK Business Support Co., Ltd.]



Goalball  
Haruka Wakasugi

## Partnerships for Supporting Disaster Relief

### Disaster Volunteer Activities

The ALSOK Group has been engaging in restoration support activities for regions heavily impacted by natural disasters through partnerships. Sixty-eight ALSOK employees headed to Northern Kyushu as volunteers to help residents remove mud and clean houses after torrential rains hit in 2017. ALSOK employees were engaged in volunteer activities in Fukuyama City, Hiroshima Prefecture, Kurashiki City, Okayama Prefecture, and Ozu City, Ehime Prefecture, regions significantly damaged by torrential rain in July 2018.

### Post-Disaster Restoration Support

ALSOK strives to create bonds with people in regions damaged by disasters. ALSOK has participated in the "Watashitachi wa Wasurenai (We Will Never Forget) - Carrying Rehabilitation Assistance into the Future" disaster reduction and prevention project implemented by the Japanese Red Cross Society since 2016, and spreads awareness of our determination not to allow the lessons and experiences accumulated in the past to be forgotten by displaying "Watashitachi wa Wasurenai" project stickers on all security business vehicles, etc.



Material CSR Theme  
**4**

## 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.

Relationship with SDGs



## Stringent Compliance Education

### Promoting Compliance throughout the Group

ALSOK has established a Compliance Committee 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 rules formulated in 2002. We also promote compliance throughout the Group with active campaigns, education and training.

In addition, 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. As of March 31, 2018, the ALSOK Hotline was available to the employees of ALSOK and 73 Group companies.

### Compliance-Related Campaigns in the Fiscal Year Ended March 31, 2018

Period	Theme
Apr.–May	Thorough labor management to prevent excessive work hours and unpaid overtime work
Jun.–Jul.	Education on compliance
Aug.–Sep.	Compliance with traffic-related laws and regulations, and company regulations
Oct.–Nov.	Thorough management of compliance as an insurance agency
Dec.–Jan.	Compliance with business-related laws and regulations
Feb.–Mar.	Prevention of information leaks through appropriate use of information systems



Booklets provided to all employees

## Measures for Protecting and Managing Information Assets

### Approaches to Information Security

Because the ALSOK Group receives important information from customers through security contracts, the appropriate protection and management of information assets is essential. With this in mind, we established a Basic Information Security Policy in 2004 to apply to all employees, including executive officers, and all information assets while promoting acquisition of certification under ISO 27001, the international standard for information security management systems. As of March 31, 2018, ALSOK and 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.

The ALSOK Group conducts periodic security diagnostics on all internal systems and systems necessary for the provision of its security services. In addition, the Company periodically sends e-mails similar to the type used in targeted e-mail attacks to employees to ensure that all employees are able to respond appropriately to everchanging cyberattacks to quickly detect threats and prevent the spread of damage that may shake the very foundations of the ALSOK Group.

As a security company responsible for protecting customers' lives and assets, ALSOK strives continuously to achieve even higher levels of personal information management. One example of our efforts is acquisition of PrivacyMark® accreditation in July 2013.



## Improvement of Security Service Quality and Customer Satisfaction

### In-House Competitions and Quality Improvement Activities

The ALSOK Group continues to hold the Sohgo Security Alliance Quality Improvement Tournament to encourage employees to improve their skills as a way to enhance the quality of security services. At the eighth tournament in November 2017, a total of 210 employees advanced from preliminary tournaments held across Japan to put skills honed through daily operations to the test in the main tournament's 17 events. Taking account of the expected increase of visitors from abroad for international conferences and sports events, we included events in language service and luggage inspection categories in anticipation of the need to manage multilingual services and accommodate wheelchair users. The second Presentations of Quality Improvement Initiatives by the ALSOK Group Long-Term Care Service Companies were held to share outstanding examples of our services among Group companies.



Language service category



Luggage inspection category

The ALSOK Group approaches quality improvement through a wide range of initiatives. For example, we established the ALSOK Standards to clarify numeric targets for compliance and the quality of customer services. We also compile customer input (both complaints and praise

to ALSOK Group companies from customers and the general public) to promote improvement. In 2017, we implemented a policy of dispatching female security guards and technicians to respond to female customers living alone in principle. We post customer input on the CS Message Board on our Company intranet; by sharing information about customer service improvement activities, we aim to improve customer service and customer satisfaction.

### Breakdown of Customer Input Reports Compiled by ALSOK (Fiscal year ended March 31, 2018)

Reports of Praise      Reports of Complaints  
**3,065 / 1,009**

## Business Continuity Management

### Business Continuity Plan and Preparation for Emergencies

ALSOK 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, terrorism, and outbreaks of new strains of infections. Based on this BCP, we acquired certification under ISO 22301, the international standard for business continuity management system (BCMSs), in March 2014 to ensure preparedness for all potential risks. Under the BCP, a disaster response correspondence office is promptly established when the damage caused by natural disaster threatens to spread or when a disaster warranting a Companywide response has been predicted. Such offices were formed nine 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.

ALSOK has also created its own disaster manual based on experience during actual disasters to increase the effectiveness of its preparation for emergencies. In 2017, we revised the Disaster Manuals (Preparation, Disaster Response, and Miscellaneous Knowledge Editions) and the Disaster Response Correspondence Office Manual. Furthermore, the ALSOK Group conducts comprehensive disaster response drills twice a year to prepare for natural disasters and conducts drills four times a year

for employees reporting to duty on foot and for safety confirmation to ensure preparedness for any emergency. In addition, individual offices coordinate disaster response drills with community members to prepare for emergencies. For example, our Transportation Security Services Branch Kinki conducted fire-fighting drills using indoor fire hydrants, carrying injured individuals and cardiopulmonary resuscitation using an AED in cooperation with the Higashinari Fire Department in Osaka.

Joint disaster response drills with the fire station



## Consideration for the Global Environment

Understanding that environmental issues affect all of humanity, ALSOK is working to reduce the environmental impact of its operations and has set goals for the reduction of CO<sub>2</sub> emission and other environmental indicators while engaging 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.

Relationship with SDGs



### Environmental Management and Environmental Initiative Promotion Systems

Recent years have seen increased movement toward establishing 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 (supply chains) in a drive to step up environmental preservation initiatives that encompass the manufacture, use, and disposal stages of our product 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 (PDCA) cycle with regard to our environmental management system in order to promote eco-friendly action on a Companywide level.



Environment-related committees using electronic data to increase consideration for the environment

#### 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 the Company's product lifecycles.

#### Environmental Policies

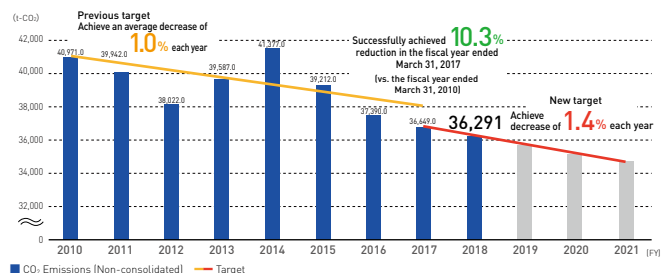
As a leader in providing security and other related services, ALSOK recognizes that global environmental concerns are common issues for all of humanity. Exercising the principles of "arigato no kokoro" and "bushii no seishin" described in its management philosophy, the Company formulates environmental policies and institutes ongoing improvements to its environmental management system to contribute to the realization of a sustainable society.

### New Environmental Targets

Humanity is currently facing global warming and the loss of diversity arising from deforestation and marine 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 2050.

Following this example, in 2017 ALSOK set a new short-term target of achieving a year-on-year decrease of 1.4% in CO<sub>2</sub> emissions each year leading up to the fiscal year ending March 31, 2021. (Results of the fiscal year ended March 31, 2018 revealed a 1.0% reduction compared with the previous term.) We also set a new medium-term target of achieving a 26% reduction for the fiscal year ending March 31, 2031, from the level in the fiscal year ended March 31, 2014, and a new long-term goal of reducing CO<sub>2</sub> emissions by 80% of this year's level by 2050.

### CO<sub>2</sub> Emissions Reduction Targets Leading Up to the Fiscal Year Ended March 31, 2017, and New Short-Term Targets and Performance



#### Medium-Term CO<sub>2</sub> Emissions Reduction Target for the Fiscal Year Ending March 31, 2031

Achieve **26%** reduction  
(vs. the fiscal year ended March 31, 2014)

### The “3Rs” 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 as a result of these initiatives came to approximately 36%, an increase of 5 percentage points over the previous fiscal year. In addition, the rechargeable nickel-cadmium batteries used in our various power supply equipment are recycled for reuse, and approximately 24,000 batteries were recycled in this manner during the year under review, making further contributions to the reduction of our environmental footprint.



Repair center

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, 2018, 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 19.0% reduction in fuel usage and a 11.7% 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. During the fiscal year ending March 31, 2019, we are also discussing the implementation of electric trucks for our security transport business with car manufacturers.



Implemented electric vehicles

### Environmental Consideration

ALSOK seeks to limit the use of certain hazardous substances and promote environmentally friendly design in procurement and development activities.

In procurement operations, we consider raw ingredients, reduction of hazardous substances, product reuse and easy-to-reuse design, improvement of durability (lifespan), packaging, energy-saving measures, and reduction of environmental load in waste disposal. In addition, we also work toward the reduction of CO<sub>2</sub> emissions during the provision of services. One of our approaches is the digitalization of business logs and security reports.

In addition to approaches through business activities, we strive to contribute to the preservation of the global environment through a wide range of opportunities such as participation in the Tokyo 2020 Medal Project—making medals out of discarded devices such as mobile phones (sponsored by the Tokyo 2020 Organizing Committee).



Collection box

### Ongoing Reforestation Activities in Disaster-Stricken Areas

In 2015, we conducted reforestation activities in collaboration with the NPO Laboratory of Earth Conscious Life, planting 2,000 Japanese black pine saplings on the Hasunuma coastline in Sammu City, Chiba Prefecture, an area that suffered severe damage in the Great East Japan Earthquake, as a 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 an important part in limiting disaster damage. After planting saplings, underbrush must be cleared for at least several years to ensure healthy development. Such activities were conducted for the fourth time in September 2018. In addition to helping preserve the environment, this can truly be called a unique social contribution activity leading to the security and safety of the disaster-stricken areas.

The reforestation and maintenance (clearing underbrush) activities in disaster-stricken areas were certified as official Tokyo 2020 Programs.



Employees and family members weeding

## Aiming to Achieve Corporate Governance That Is Unique to ALSOK and Contributes to Sustainable Corporate Value Growth

### 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.



Outside Director

## Yutaka Takehana

### Reason for Appointment

Mr. Takehana possesses abundant experience and insight, and advanced ability, developed through serving in important positions at government agencies over many years and as an officer at a major electrical machinery manufacturer. As such, the Company believes he will continue to contribute to the Group’s corporate value and has nominated him as an outside director.

### Becoming a Company That Has a Keen Awareness of Risk

A role of outside directors is to contribute to ALSOK’s advancement based on experience and insight that officers with a lifelong career at ALSOK do not possess. I am supported by my own experience in managing the large police organization and taking charge of scandal handling, knowledge of safety, and experience in risk management in a global major enterprise, among other things.

I have monitored this company for more than three years now, and have no special concern over it as the company is coping well with upheaval in the business environment.

Reputation of this company is strongly relied upon how the staff work. As such, I will leverage my experience to keenly establish risk measures in a broad sense, while giving consideration for employees’ morale, avoiding headwinds arising out of minor issues, and bearing in mind external communications.

### History of ALSOK’s Corporate Governance

Year		2003	2013	2015
Board of Directors	Number of members	7	8	12
	Outside	1	2	4
Audit & Supervisory Board	Number of members	4	5	4
	Outside	3	2	3

### Revisions to the Rules

June 2002	Introduction of the Executive Officer System
November 2002	Formulation of the Compliance Rules
December 2002	Formulation of the Risk Management Rules
April 2004	Setting up of the ALSOK Hotline
August 2004	Formulation of the Basic Information Security Policy
September 2004	Establishment of Information Asset Management Committee
December 2004	Formulation of the Personal Information Security Policy
May 2006	Formulation of the Basic Policy Related to the Internal Control System
July 2009	Formulation of Information Asset Management Rules
April 2016	Setting up of an external reporting hotline under the ALSOK Hotline





Outside Director

## Masakazu Iwaki

### Reason for Appointment

Mr. Iwaki possesses abundant experience and insight, and advanced ability, developed as a manager at a major steel manufacturer. As such, the Company believes he will continue to contribute to the Group's corporate value and has nominated him as an outside director.

### Requisites for Realization of the Medium-Term Management Plan

This company boasts high achievement rates for the management plan. Its strength lies in the approach to follow the policies in all circumstances and ability to make Groupwide united efforts. For the coming three years in particular, this company needs to play a role in achieving success of the Tokyo Olympic Games. In addition, while the company has proactively made and been successful in M&As, it needs to get the overseas business on a growth path in the future.

Meanwhile, while the domestic market is becoming mature, we have entered the time when sales capabilities of corporations are called into question even more. In order to achieve sustainable growth, not only sales activities by the company leadership but also diligent sales activities by regional offices, branches, and sales offices are becoming more and more important.

Going forward as well, I am committed to contributing to improvement of the ALSOK Group's corporate value, positioning myself in an objective and impartial standpoint as an outside director and aiming to achieve growth of various stakeholders and this company based on a-priori perspective.



Outside Director

## Seiei Ono

### Reason for Appointment

Mr. Ono possesses abundant international experience and insight, and advanced ability, developed as a manager at a major trading company and elsewhere. As such, the Company believes he will continue to contribute to the Group's corporate value and has nominated him as an outside director.

### Being a Healthy and Sustainable Company

I highly recognize this company's proactive and faithful initiatives towards corporate governance which are undertaken based on the strong awareness of becoming a company trusted by society. Such awareness comes from its services of ensuring safety and security of society, which is of a highly public nature.

I believe it will be important for the company going forward to put verification of and measures to ensure the effectiveness of the governance system on the PDCA cycle. I am going to monitor initiatives undertaken to that end from a broad and panoramic perspective as an outside director and ascertain whether the PDCA cycle of governance is functioning and the management is firmly handling the cycle. In addition, I will express my opinions based on the experience I have accumulated so far from the perspectives of whether sound management is achieved for all stakeholders related to the company and whether the company is navigated to achieve sustainable corporate management.



Outside Director

## Hideharu Kadowaki

### Reason for Appointment

Mr. Kadowaki possesses abundant experience and insight, and advanced ability, developed as a manager at a major financial institution and elsewhere. As such, the Company believes he will contribute to the Group's corporate value and has nominated him as an outside director.

### Aiming to Create New Value in Response to Changes in Society

I highly recognize that this company presents its management philosophy, the origin of corporate governance, quite clearly, and thoroughly implements it among employees. In addition, I consider this company's system as being fully in line with the governance code, as the number of independent, outside directors accounts for one-third of all the directors, allowing the company to stand among the top 20% companies listed on the First Section of the Tokyo Stock Exchange. I also recognize that the company has a transparent management system wherein opinions from outside are reflected in management. I expect that efforts will be made in the future to broaden the system with high awareness of governance to the Group as a whole.

Challenges faced by this company are to tackle and respond to labor shortages due to population decline as well as the rapidly changing business environment associated with technological advances as exemplified by AI. I, as an outside director, am committed to providing opinions from a proactive and beneficial standpoint and at the same time from a perspective different from the internal one, in order to contribute to creation of permanent corporate value of this company.

# Corporate Governance

## 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, 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, 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, four 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.

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

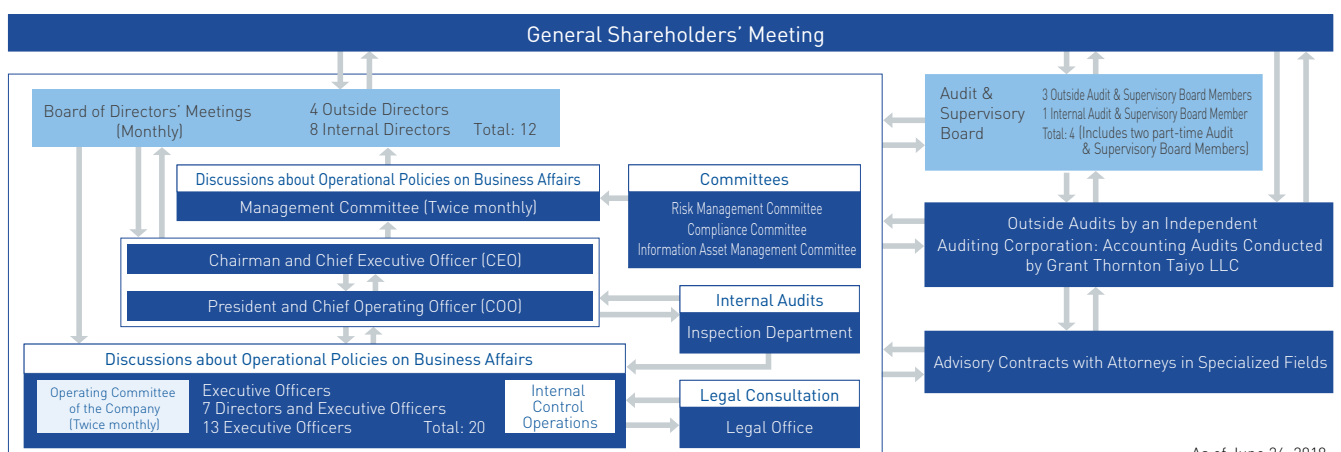
Outside directors and outside Audit & Supervisory Board members are assumed to cover the functions of observation and supervision of the management team with objective and neutral standpoints.

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



As of June 26, 2018

## 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.

## 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, 2018, 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.

## 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**  
<https://www.alsok.co.jp/en/ir/>



Back row, from left

Ikuhiro Watanabe

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

Makoto Uenoyama

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

Takeshi Oiwa

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

Masaki Tatsuguchi

Audit & Supervisory Board Member

Ikuji Kayaki

Representative Director  
Executive Vice President

Front row, from left

Seiei Ono

Director (Outside Director)

Yutaka Takehana

Director (Outside Director)

Atsushi Murai

Chairman and Representative Director  
Chief Executive Officer (CEO)



Hirohisa Hokari   Hiraku Otani   Tsuyoshi Murai   Shigeki Nomura   Masato Yagi

Director  
Executive Vice President

Director  
Senior Executive Officer

Director  
Senior Executive Officer

Director  
Senior Executive Officer

Director  
Senior Executive Officer

Yukiyasu Aoyama

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

Masakazu Iwaki

Director (Outside Director)

Hideharu Kadowaki

Director (Outside Director)

# Directors, Audit & Supervisory Board Members, and Executive Officers As of June 30, 2018

## 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)  
Chief Officer of Business Promotion Division

Jul. 2006: Director-General, Customs and Tariff Bureau, Ministry of Finance Japan (Resigned in Jul. 2008)  
Aug. 2008: Joined the Company as Senior Executive Officer, Chief Officer of Security Operations Division  
Apr. 2009: In charge of Human Resources, Security Operations, and Corporate Ethics  
Jun. 2009: Executive Vice President and Representative Director  
Apr. 2010: Senior Executive Vice President and Representative Chief Officer of Business Promotion Division  
Apr. 2011: Chief Operating Officer (Current)  
Apr. 2012: President and Representative Director (Current)  
Senior Executive President (Current)  
Apr. 2018: Chief Officer of Business Promotion Division (Current)

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

## Ikuji Kayaki

Representative Director  
Executive Vice President  
Head of ALSOK In-house Company  
Deputy Chief Officer of Business Promotion Division  
East Japan  
Corporate Customers

Apr. 1982: Joined the Company  
Apr. 2011: Chief Officer of Regional Division (IV)  
Apr. 2012: Executive Officer  
Apr. 2014: In charge of Security Operations and Structural Reform of Transportation Security Services  
Apr. 2015: Senior Executive Officer  
Second in charge of Security Operations  
Jun. 2017: Director and Senior Executive Officer  
Apr. 2018: Executive Vice President and Representative Director (Current)  
Head of ALSOK In-house Company (Current)  
Deputy Chief Officer of Business Promotion Division (Current)  
In charge of East Japan (Current)  
and Corporate Customers (Current)

## Hirohisa Hokari

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

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  
Apr. 2016: In charge of Corporate Planning & Administration (Current), Investor Relations (Current), Strategic Business (Current), Business Planning & Management (Current) and Financial Institutions (Current)  
Apr. 2018: Executive Vice President and Director (Current)  
In charge of Sales Promotion (Current)

## Hiraku Otani

Director  
Senior Executive Officer  
Chief Officer of International Affairs  
International Affairs  
Procurement

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  
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 Management  
Jun. 2016: Director and Senior Executive Officer (Current)  
Apr. 2018: Chief Officer of International Affairs (Current)  
In charge of Procurement (Current)

## Tsuyoshi Murai

Director  
Senior Executive Officer  
Chief Officer of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs  
Deputy Chief Officer of Business Promotion Division  
Human Resources  
General Affairs/PR  
Central Japan Area  
Business Promotion Division in the Central Japan area  
Corporate Ethics  
Compliance  
Risk Management  
Information Assets Management

Jul. 1997: Joined the Company  
Jun. 2007: Chief Officer of Home Marketing Division  
Apr. 2010: Executive Officer  
Chief Officer of Regional Division (II)  
Feb. 2011: In charge of General Property Management  
Mar. 2011: President and 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)  
Apr. 2018: Chief Officer of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs (Current)  
In charge of General Affairs/PR (Current), Compliance (Current), Risk Management and Information Assets Management (Current)  
May 2018: In charge of Central Japan Area (Current) and Business Promotion Division in the Central Japan area (Current)

Major Concurrent Position  
Sep. 2014: Representative Director, SOHGO CORPORATION (Current)

## Shigeki Nomura

Director  
Senior Executive Officer  
Deputy Chief Officer of Business Promotion Division  
West Japan Area  
Business promotion in Kansai Area

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 in Central Japan  
Chief Officer of Regional Division (III)  
Apr. 2017: Chief Officer of Regional Division (VII)  
Jun. 2017: Director and Senior Executive Officer (Current)  
May 2018: Deputy Chief Officer of Business Promotion Division in the Kansai area (Current)  
In charge of West Japan Area (Current) and business promotion in Kansai Area (Current)

Major Concurrent Positions  
Jun. 2018: Representative Director, Hiroshima Sohgo Security Services Co., Ltd. (Current)  
Representative Director, Ehime Sohgo Security Services Co., Ltd. (Current)

## Masato Yagi

Director  
Senior Executive Officer  
Chief Officer of Regional Division (I)  
Deputy Chief Officer of Business Promotion Division in the Metropolitan area

Apr. 1979: Joined the Company  
Apr. 2011: Chief Officer of Regional Division (VII)  
Apr. 2012: Executive Officer  
Apr. 2015: Chief Officer of Regional Division (I) (Current)  
Apr. 2016: Senior Executive Officer (Current)  
Apr. 2018: Deputy Chief Officer of Business Promotion Division  
In charge of Metropolitan area (Current)  
Jun. 2018: Director and Senior Executive Officer (Current)

Major Concurrent Position  
Apr. 2015: Representative Director, URBAN SECURITY Co., Ltd. (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)  
 May 2017: Advisor, Meiji Yasuda Life Insurance Company (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 (Resigned in Jun. 2017)  
 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.  
 Jun. 2017: Joined the Company as Outside Director (Current)  
 Jan. 2018: Advisor, Mitsubishi Research Institute, Inc. (Current)

### Hideharu Kadowaki

Director (Outside Director)

Apr. 2001: Representative Director, Senior Managing Director, and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation (Resigned in Nov. 2002)  
 Dec. 2002: Representative Director and Senior Managing Director, Sumitomo Mitsui Financial Group, Inc.  
 Jun. 2003: Deputy President and Representative Director, Sumitomo Mitsui Financial Group, Inc. (Resigned in Mar. 2004)  
 Jun. 2004: Chairman, The Japan Research Institute, Limited (Resigned in Jun. 2008)  
 Jun. 2008: Special Adviser and Senior Fellow, The Japan Research Institute, Limited (Current)  
 Jun. 2012: Member of the Board, Asian Rural Institute (Current)  
 Jul. 2017: Advisor, C'BON COSMETICS Co., Ltd. (Current)  
 Jun. 2018: Joined the Company as Outside Director (Current)

### Masaki Tatsuguchi

Audit & Supervisory Board Member

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

### Takeshi Oiwa

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

Apr. 2007: Managing Executive Officer, Sompo Japan Insurance Inc. (Currently Sompo Japan Nipponkoa Insurance Inc.)  
 Jun. 2007: Director and Managing Executive Officer, Sompo Japan Insurance Inc. (Currently Sompo Japan Nipponkoa Insurance Inc.)  
 Jun. 2010: Director and Senior Managing Executive Officer, Sompo Japan Insurance Inc. (Currently Sompo Japan Nipponkoa Insurance Inc.)  
 Jan. 2011: Deputy President and Director, Sompo Japan Insurance Inc. (Currently Sompo 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 Standing Audit & Supervisory Board Member (Outside) (Current)

### Makoto Uenoyama

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

Jun. 2007: Director, Matsushita Electric Industrial Co. Ltd. (Currently Panasonic Corporation)  
 Apr. 2010: Managing Director, Panasonic Corporation (Resigned in Jun. 2012)  
 Jun. 2012: Managing Executive Officer, Panasonic Corporation (Resigned in Mar. 2013)  
 Apr. 2013: Corporate Advisor, Panasonic Corporation (Resigned 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 Watanabe

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

Jun. 2007: General Manager of Custodial Department, The Norinchukin Bank (Resigned in May 2009)  
 Jun. 2009: Manager of Internal Audit Division, Starzen Co., Ltd.  
 Apr. 2013: Executive Officer and Manager of Legal Department, Starzen Co., Ltd. (Resigned in Sep. 2014)  
 Oct. 2014: Corporate Advisor, Norinchukin Research Institute Co., Ltd. (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

#### Takashi Kumagai

Senior Executive Officer  
 Deputy Chief Officer of Business Promotion Division  
 Long-Term Care Management Company  
 Second in charge of R&D  
 HOME ALSOK

#### Koji Kishimoto

Senior Executive Officer  
 Financial & Accounting Internal Control

#### Norihiko Mizutani

Senior Executive Officer  
 R&D

#### Motohisa Suzuki

Senior Executive Officer  
 Deputy Chief Officer of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs  
 Security Operations  
 Structural Reform of Transportation Security Services

#### Kazuhide Shigemi

Executive Officer  
 Second in charge of Corporate Planning & Administration  
 Second in charge of Strategic Business

#### Kazumi Suzuki

Executive Officer  
 R&D Planning

#### Seiji Ono

Executive Officer  
 Business Planning and Sales Promotion

#### Yasuhiro Yoshimoto

Executive Officer  
 General Property Management and Fire Protection Services

#### Shinichi Honjo

Executive Officer  
 Chief Officer of Regional Division (II)

#### Yoshio Kumazaki

Executive Officer  
 Chief Officer of Regional Division (III)

#### Ken Takahashi

Executive Officer  
 Chief Officer of Regional Division (IV)

#### Akira Kono

Executive Officer  
 Chief Officer of Regional Division (V)

#### Yoshiharu Nagashima

Executive Officer  
 Chief Officer of Regional Division (VI)

# Financial Section

## Management Indexes

	2008	2009	2010	2011
Fiscal years ended March 31				
<b>Profit and loss (Millions of yen)</b>				
Net sales	284,996	285,004	278,579	279,272
Cost of sales	212,287	215,711	210,097	209,364
Gross profit	72,709	69,292	68,482	69,908
Selling, general and administrative expenses	58,913	59,349	59,211	59,555
Operating income	13,795	9,943	9,270	10,352
Ordinary income	14,642	10,630	10,819	11,765
Profit attributable to owners of parent	7,653	4,224	4,563	4,706
<b>Profitability</b>				
Gross profit margin (%)	25.5	24.3	24.6	25.0
Operating income margin (%)	4.8	3.5	3.3	3.7
Ordinary income margin (%)	5.1	3.7	3.9	4.2
Return on assets (ROA) (%)	5.0	3.6	3.8	4.2
Return on equity (ROE) (%)	5.6	3.1	3.3	3.3
EV/EBITDA (Times) <sup>1</sup>	5.1	3.0	2.3	1.4
<b>Stability</b>				
Equity capital ratio (%)	46.2	47.7	50.9	50.3
Equity capital ratio on market-value basis (%)	47.4	29.5	39.4	32.0
Interest-bearing liabilities (Millions of yen)	74,485	66,247	51,318	49,311
Interest coverage ratio (Times)	15.2	20.7	24.0	20.1
<b>Efficiency</b>				
Total asset turnover ratio (Times)	1.0	1.0	1.0	1.0
Shareholders' equity turnover ratio (Times)	2.1	2.1	2.0	2.0
Tangible fixed assets turnover ratio (Times)	5.0	5.0	4.9	4.9
<b>Per share information</b>				
Net assets per share (Yen)	1,356.35	1,364.33	1,397.90	1,421.67
Earnings per share (Yen)	75.07	41.90	45.39	46.82
Price to book value ratio (Times)	1.0	0.6	0.8	0.6
Price earnings ratio (Times)	18.5	20.2	23.9	19.3
Dividends per share (Yen)	20	20	20	20
Consolidated dividend payout ratio (%)	26.6	47.7	44.1	42.7
Closing stock price (Yen)	1,390	845	1,083	905
<b>Other information</b>				
Number of employees (Consolidated)	26,014	26,960	27,322	27,790
Average number of years of continuous service (Non-consolidated)	11.8	11.9	12.3	12.7
Percentage of employees returning to work after childcare leave (Non-consolidated, total for male and female employees)	—	—	92.2	90.2
CO <sub>2</sub> emissions volume (Non-consolidated, t-CO <sub>2</sub> )	—	—	40,871	39,968

<sup>1</sup> 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



2012	2013	2014	2015	2016	2017	2018
304,723	315,564	328,209	365,749	381,818	413,343	<b>435,982</b>
232,812	242,410	248,900	276,116	282,880	310,704	<b>330,493</b>
71,910	73,153	79,308	89,632	98,937	102,639	<b>105,489</b>
61,100	61,363	60,375	66,660	69,901	74,217	<b>75,378</b>
10,810	11,790	18,932	22,971	29,036	28,422	<b>30,111</b>
12,558	14,741	20,745	24,700	30,667	30,309	<b>31,913</b>
3,903	8,574	10,955	13,534	17,868	18,330	<b>19,344</b>
23.6	23.2	24.2	24.5	25.9	24.8	<b>24.2</b>
3.5	3.7	5.8	6.3	7.6	6.9	<b>6.9</b>
4.1	4.7	6.3	6.8	8.0	7.3	<b>7.3</b>
4.4	5.1	6.5	6.9	8.5	8.2	<b>8.2</b>
2.7	5.7	7.0	7.8	9.9	9.7	<b>9.3</b>
1.4	2.7	5.3	10.1	13.4	8.7	<b>10.7</b>
51.3	52.1	46.2	48.4	51.9	51.0	<b>54.9</b>
34.8	46.5	63.5	110.1	175.4	108.2	<b>134.1</b>
39,270	37,455	71,666	73,698	47,208	65,599	<b>52,655</b>
34.1	36.9	36.4	28.5	30.1	54.2	<b>25.8</b>
1.1	1.1	1.0	1.0	1.1	1.1	<b>1.1</b>
2.1	2.1	2.1	2.2	2.1	2.2	<b>2.1</b>
5.2	5.4	5.2	5.4	5.3	5.1	<b>4.9</b>
1,446.93	1,536.30	1,574.74	1,800.15	1,805.09	1,956.25	<b>2,155.74</b>
38.83	85.30	108.99	134.65	177.77	182.37	<b>191.93</b>
0.7	0.9	1.4	2.3	3.4	2.1	<b>2.4</b>
25.3	16.1	19.9	30.4	34.3	22.8	<b>27.5</b>
20	25	30	38	50	55	<b>60</b>
51.5	29.3	27.5	28.2	28.1	30.2	<b>31.3</b>
982	1,373	2,164	4,095	6,100	4,155	<b>5,260</b>
27,868	28,054	28,091	31,221	31,446	36,693	<b>37,519</b>
13.3	13.8	14.4	14.9	15.4	15.9	<b>16.4</b>
93.3	97.6	92.4	96.6	93.0	91.3	<b>92.6</b>
38,022	38,587	41,377	39,212	37,390	36,649	<b>36,291</b>

## Management's Discussion and Analysis

### Analysis of Business Performance

#### Operating Environment

##### Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017–March 31, 2018)

During the fiscal year under review, overall the Japanese economy sustained a modest recovery. Although a shrinking labor force prompted labor shortages, the employment and labor situation continued to improve, causing personal consumption and exports to rebound and capital investment to rise gradually. The global economy was likewise characterized by a gentle rebound even though a sense of future uncertainty remains due to such factors as geopolitical risk, trade issues, and growing volatility in financial and capital markets.

With regard to public safety in Japan, the number of reported crimes fell below 1 million in 2016 for the first time since World War II. This number decreased further in 2017, declining to approximately 915,000. That being said, people's everyday lives continue to be affected by crimes, including malicious crimes and special-case scams targeting senior citizens and differently abled individuals, stalking, and crimes aimed at women and children. At the same time, society faces increasingly diverse risks, such as natural disasters, international terrorism, cryptocurrency outflows and other forms of cybercrime, and information leaks. As a company responsible for an important piece of the social infrastructure supporting the safety and security of society, ALSOK thus realizes the need to provide a wide range of services that respond to social needs.

#### 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 Security Services business. We also endeavored to grow businesses in peripheral fields that are highly compatible with Security Services, such as Long-Term Care Services and Facility Management

Services, which are included in the General Property Management

and Fire Protection Services segment. We also strove to curtail costs by encouraging personnel to multitask and consolidating Guard Centers, and undertook business reforms throughout the Group with the aim of bolstering efficiency. To achieve further growth, we took on the challenge of developing new services employing state-of-the-art technologies, such as artificial intelligence (AI), the Internet of Things (IoT), and 5G.

As a result, consolidated net sales rose 5.5% year on year, to ¥435,982 million; operating income grew 5.9%, to ¥30,111 million; ordinary income rose 5.3%, to ¥31,913 million; and profit attributable to owners of parent expanded 5.5%, to ¥19,344 million.

### Sales by Business Segment

During this fiscal year, the Company reorganized its reportable segments and revised its method of allocating certain earnings and expenses. For purposes of year-on-year comparison, operating performance for the preceding fiscal year has been restated to match the revised categories and allocation methods.

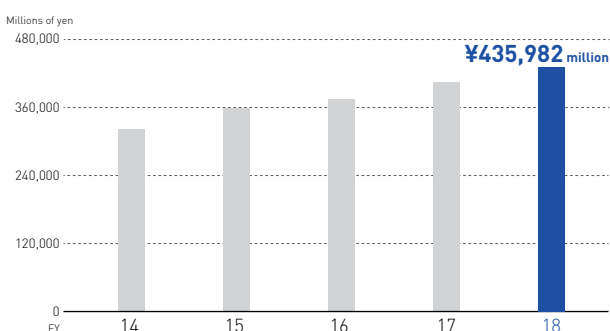
#### Security Services

##### Electronic Security Services

Within the Security Services segment, the Electronic Security Services business promoted sales of various services for corporate clients. These services included ALSOK-ST (read as "ALSOK Standard"), a standard security system that is equipped with monitoring and management services related to intrusions, fires, and equipment issues. Meanwhile, recent labor shortages have highlighted the issue of long working hours. Given this situation and the backdrop of work-style reforms, the need for appropriate facility management and attendance management have increased. Accordingly, we recorded favorable sales for ALSOK-GV (read as "ALSOK G-five"), a service that combines image monitoring with ALSOK Information Service. This service 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. Robust sales of security camera systems, such as ALSOK Image Cloud Service, as well as access

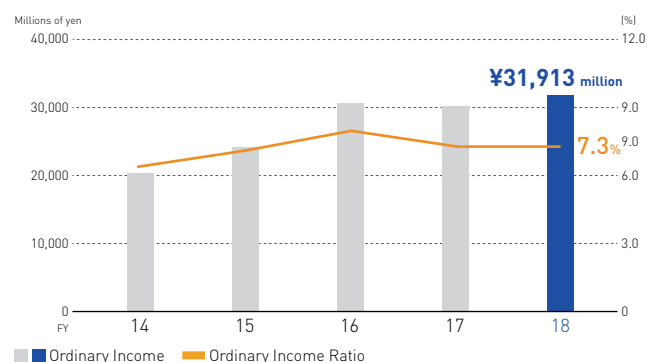
#### Net Sales

Fiscal years ended March 31



#### Ordinary Income/Ordinary Income Margin

Fiscal years ended March 31



management systems, contributed to sales.

In services for individual customers, sales were positive for Home Security Basic, which offers a sophisticated security system as a standard function, and for HOME ALSOK Premium, which offers even more fine-tuned functionality to meet the diverse needs of household customers and various household environments.

Additionally, we recorded increased sales of HOME ALSOK MIMAMORI SUPPORT, a service that contributes to a society characterized by a falling birthrate and an aging population, and MIMAMORI Tags, which support the construction of regional watch networks.

#### Stationed Security Services

In the Stationed Security Services business, the operating environment was characterized by a rising need for high-quality security and security augmentation services in response to various risks associated with labor shortages, the outsourcing of security operations in manufacturing and other sectors, and security needs related to redevelopment in the Tokyo metropolitan area.

#### Transportation Security Services

The Transportation Security Services business benefited from firm orders in the solutions business, such as orders from financial institutions for the Total ATM Management System. Against the backdrop of ongoing work-style reforms and labor shortages, the business also experienced strong orders for cash deposit and dispenser machines from retail and food and beverage establishments.

In addition, thanks to the effect of M&As, sales in the Security Services segment expanded 5.2%, to ¥344,302 million, and operating income grew 2.0%, to ¥33,292 million.

#### General Property Management and Fire Protection Services

In the General Property Management and Fire Protection Services segment, we focus on comprehensive management services that encompass 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. In line with growing demand for disaster prevention and mitigation, disaster preparedness items and residential fire alarms and other fire-fighting equipment also contributed to sales. Amid rising demand for construction, the facility installation department also enjoyed solid orders. As a result of these factors, sales in the General Property Management and Fire Protection Services segment rose 7.2%, to ¥61,993 million, and operating income increased 10.8%, to ¥5,075 million.

#### Long-Term Care Services

In the Long-Term Care Services segment, increased use of care facilities (such as fee-based, long-term care facilities and group homes) contributed to sales, which grew 2.8%, to ¥25,631 million. To improve management in this segment, we optimized personnel allocations and undertook initiatives to raise operating efficiency. These efforts enabled the segment to move into the black, generating operating income of ¥105 million, compared with an operating loss of ¥354 million in the preceding fiscal year.

#### Analysis of Individual Items

In the fiscal year under review, net sales increased ¥22,638 million, or 5.5%, year on year, to ¥435,982 million.

Cost of sales was ¥330,493 million, primarily due to a ¥9,870 million increase in labor costs, a ¥6,157 million rise in miscellaneous expenses, and a ¥3,761 million rise in the cost of products sold and installation.

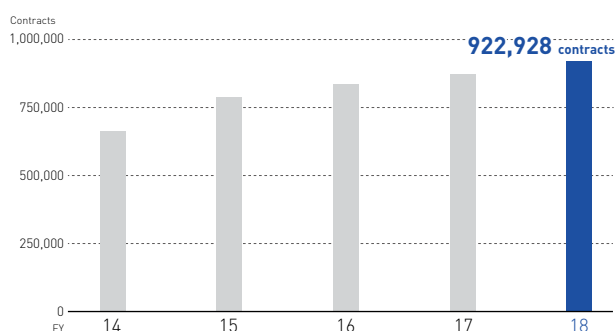
Selling, general and administrative expenses amounted to ¥75,378 million due to a ¥550 million amortization of goodwill and a ¥453 million rise in salaries and allowances.

Ordinary income was up ¥1,604 million, or 5.3%, to ¥31,913 million, in line with the rise in operating income.

Extraordinary income fell due to a decline in the gain on sales of investment securities.

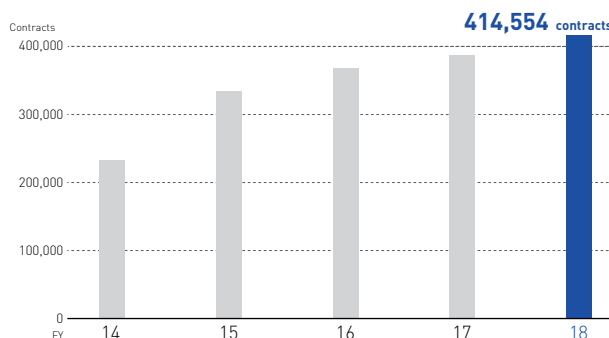
#### Number of Electronic Security Services Contracts

Fiscal years ended March 31



#### Number of Contracts for Individual Users

Fiscal years ended March 31



# Financial Section

The extraordinary loss decreased due to comparison with the previous year's recording of a ¥95 million provision for loss on dissolution of the employees' pension fund.

In line with the growth in ordinary income, profit attributable to owners of parent increased ¥1,014 million, or 5.5%, to ¥19,344 million.

Comprehensive income increased ¥2,691 million, or 11.8%, to ¥25,514 million. The rise was attributable mainly to a ¥2,370 million rise in remeasurements of defined benefit plans, net of tax, stemming from the increased valuation of assets under management.

## Forecast for the Fiscal Year Ending March 31, 2019

In the fiscal year ending March 31, 2019, we expect the Japanese economy to benefit from various government measures. However, we will need to monitor overseas markets for growing geopolitical risk and other uncertainties, as well as developments in the financial and exchange markets and trends in corporate business confidence.

In addition to conventional security needs, we expect the security industry to see growing needs for safety and security in response to changes in internal and external environments. We also anticipate expanding business opportunities due to increased needs arising from the accelerated development of both tangible and intangible social infrastructure as part of preparations for large-scale events. However, increasingly severe labor shortages and decreases in earnings among financial institutions resulting from Japan's negative interest rate policy are forecast to create a harsh operating environment in the security services market during the fiscal year ending March 31, 2019. 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. At the same time, we will strive to provide new products and services that utilize cutting-edge technologies, endeavor to bolster productivity, and achieve sustainable growth for the Group. Consequently, the ALSOK Group forecasts net sales of ¥450,000 million for the fiscal year ending March 31, 2019, up 3.2% year on year. We expect operating income to grow 9.9%, to ¥33,100 million, ordinary income to rise 9.7%, to ¥35,000 million, and profit attributable to owners of parent to expand 13.7%, to ¥22,000 million.

## Financial Position

### Assets

Total assets at the end of the fiscal year under review increased ¥11,287 million, or 2.9%, from the previous fiscal year-end, to ¥397,164 million. Total current assets decreased ¥2,781 million, or 1.4%, to ¥196,845 million, while total noncurrent assets rose ¥14,068 million, or 7.6%, to ¥200,319 million.

The decrease in current assets was primarily the result of a ¥8,013 million decline in cash and deposits, despite increases of ¥2,167 million in notes and accounts receivable—trade and ¥1,970 million in cash for Transportation Security Services.

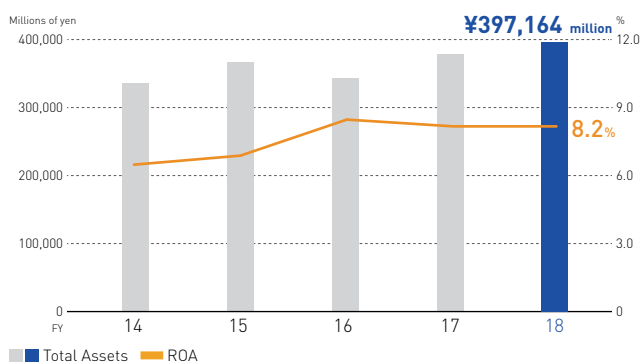
The growth in noncurrent assets was due mainly to a ¥3,716 million increase in net defined benefit asset stemming from a rise in the valuation of assets under management, a ¥3,022 million rise in other intangible assets (stemming from such items as software in progress, an investment in a backbone system slated for completion in an upcoming fiscal year), and ¥2,493 million higher goodwill associated with the conversion of ALSOK KANTO DELIVERY CO., LTD. to a consolidated subsidiary. Other increases in noncurrent assets included ¥2,884 million in lease assets, ¥2,727 million in machinery, equipment and vehicles, and ¥2,297 million in investment securities.

### Liabilities

Total liabilities at the end of the year under review decreased ¥7,864 million, or 4.8%, from the previous fiscal year-end, to

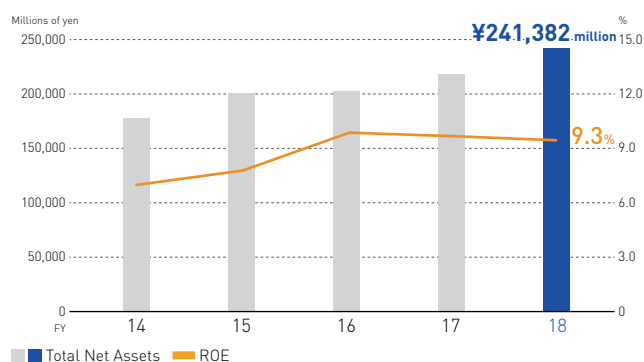
### Total Assets/ROA

Fiscal years ended March 31



### Total Net Assets/ROE

Fiscal years ended March 31



¥155,782 million. Total current liabilities were down ¥5,609 million, or 5.7%, to ¥92,495 million, and total noncurrent liabilities decreased ¥2,255 million, or 3.4%, to ¥63,287 million.

The decline in current liabilities stemmed from a ¥13,002 million decrease in short-term loans payable, while accounts payable—other rose ¥5,701 million and notes and accounts payable—trade grew ¥1,994 million.

The fall in noncurrent liabilities was due to decreases of ¥2,667 million in long-term loans payable and ¥2,244 million in the net defined benefit liability, whereas lease obligations increased ¥2,564 million.

#### Net Assets

Total net assets on March 31, 2018, were up ¥19,151 million, or 8.6%, from the previous fiscal year-end, to ¥241,382 million.

#### Cash and Cash Equivalents

The balance of cash and cash equivalents (hereafter referred to as “cash”) at March 31, 2018 was ¥40,484 million, down from ¥47,549 million at March 31, 2017. This decrease was because net cash provided by operating activities was ¥25,496 million, net cash used in investing activities was ¥19,125 million, and net cash used in financing activities was ¥13,429 million.

#### Cash flows from operating activities

During the fiscal year under review, net cash provided by operating activities amounted to ¥25,496 million, 53.3% less than in the preceding fiscal year. Principal sources of cash were ¥31,841 million in income before income taxes (up 5.4% year on year), ¥14,133 million in depreciation and amortization (up 2.6%), and ¥5,033 million from an increase in notes and accounts payable—trade (compared with a decrease of ¥2,300 million in the previous fiscal year). Major uses of cash were a ¥13,630 million decrease in assets and liabilities for Transportation Security Services (compared with a ¥18,157 million increase in the previous fiscal year) and income taxes paid of ¥11,591 million (up 9.2%).

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 totaled ¥19,125 million (down 13.3% from the preceding fiscal year). Major uses of cash were ¥11,776 million for the purchase of property, plant and equipment (up 7.0%), ¥5,973 million for the purchase of shares of subsidiaries resulting in change in scope of consolidation (down 7.0%), and ¥1,987 million for the purchase of investment securities (down 31.5%).

#### Cash flows from financing activities

Net cash used in financing activities was ¥13,429 million (down 34.8% year on year). Major uses of cash were ¥5,780 million in cash

dividends paid (down 0.0%), ¥4,420 million in repayments of lease obligations (up 3.6%), and ¥3,456 million in repayment of long-term loans payable (down 9.7%).

#### 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, 2018, 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 ¥60.00 per share, including an interim dividend of ¥30.00 per share, for a consolidated payout ratio of 33.7%.

#### 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 26, 2018, the date on which the 53rd Securities Report was filed.

- 1. Sales Depending on a Specific Business Sector**  
Sales from the financial institutions sector accounted for over 20 percent of the Group's total sales in the fiscal year ended March 31, 2018. 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, 39.9% are dependent on the Electronic Security Services business. The effective operation of the Electronic Security Services business requires continuous capital investment for structuring and maintaining operational infrastructures such as the preparation of Guard Centers and depots, vehicles for Electronic Security Services and communication systems, as well as personnel expenses for Guard Center staff and security staff. Should the Group fail to enter into a certain volume of Electronic Security Services contracts due to any of a wide range of factors associated with the Group's Electronic

# Financial Section

Security Services business, the Group's operating performance can be affected. Also, in situations such as when troubles occur in business operations by communication system failure, the Group's operating performance can be affected. Therefore, we have tried to diversify our business so that we can minimize business risks.

### 3. 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, though the Group endeavors on the efficient operations of the fund, should there be an increase in interest rates associated with cash procured for these purposes, the Group's operational performance could be adversely affected. Consequently, the Group must renegotiate the pricing conditions defined in contracts between the Group and its clients. Further, the Company has subscribed to cash securities transport insurance to cover any damage or loss that may occur during the transportation or storage of such cash. If the trend of cashless settlement becomes more common in Japan, the needs toward cash transportation would decline, and the Group's operating performance can be affected. Therefore, the Group makes a study of developing new services based on the progress of the cashless trend.

### 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 new products and services utilizing AI, IoT, robots, and ICT technology are indispensable to the Group's adequate provision of security services, since we need to deal with brutal and sophisticated crimes such as terrorism and cyberattacks; a declining birthrate and aging of society; natural disasters such as earthquakes, volcanic eruption, and wind and flood damage; and decrepit infrastructure equipment. 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 services 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 for unfavorable reputation and legal claim for damages. We, therefore, have managed client information properly through employee education and careful observation of subcontractors. These measures enable us to avoid leaking, losing, and deleting personal information. As a further precaution, the ALSOK Group has Cyber Risk Insurance, which covers all Group companies.

### 7. Ensuring Human Resources

In recent years, Japanese society has been rapidly super aging due to a combination of extended average life expectancy and a plunge in the birthrate. Although it can be anticipated that these trends will lead to a rise in the need for ALSOK's security services, it could become more difficult to recruit younger workers in this labor-intensive industry and could lead to long working hours caused by labor shortage. We promote government-led work-style reform while improving labor productivity as we secure the health of employees. As well, to further strengthen the Group's cooperative recruitment structure we actively recruit year-round, implementing local recruitment through our nationwide security base. Moreover, we work to cultivate the abilities of employees and be well-placed through the promotion of personnel exchanges between urban and regional areas. In addition, we established a company which re-employs experienced retired workers for the purpose of securing a high-quality labor force.

### 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 major ones stated in the table below. Should any of these legal restrictions be amended or abolished, or any new legal provisions established, the Group's operating performance could be affected.

### 9. Measures of System Failures Due to Natural and Other Disasters

In the event an unprecedented natural disaster were to occur, information exchange with the 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 established data centers at two sites in eastern and western Japan, creating a backup environment for important systems and mutual monitoring to further ensure business continuity. Preparing for a major, wide-area natural disaster, the Group will reduce risk by taking measures for each stage.

10. Risk Related to Massive Disasters

Should a major earthquake occur, or there be wind and flood damage, and following 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, and 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. In addition, to ensure that in time of disaster ATMs remain in operation as much as possible, on March 20, 2014 we acquired ISO 22301, the international standard for business continuity management systems, certification for the operation of Transportation Security Services that load cash into ATMs in Tokyo managed by the ALSOK Group and the troubleshooting of ATMs. It was Japan's first as a security services company to acquire this certification. Hereafter, the Group will enhance the structure, and will 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 Electrical Appliance and Material Safety Act	Ministry of Economy, Trade and Industry
Electronic Security Services	The Specified Commercial Transaction Act	Ministry of Economy, Trade and Industry/ Consumer Affairs Agency
	Consumer Contract Act	Consumer Affairs Agency
Transportation Security Services, 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 Building	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, Labour and Welfare/ Each prefecture/Each municipality
	Correspondence Delivery Act	Ministry of Internal Affairs and Communications
Other Services	Worker Dispatching Act Employment Security Act	Ministry of Health, Labour and Welfare
	Insurance Business Law Financial Instruments and Exchange Act	Financial Services Agency
	Act on Prevention of Transfer of Criminal Proceeds Law About the Adequacy of Duties of the Detective Business	National Public Safety Commission
	Personal Information Protection Law	Personal Information Protection Commission
	Act on Special Measures to Prevent and Correct Shift for Consumption Tax	Japan Fair Trade Commission/Small and Medium Enterprise Agency/Consumer Affairs Agency
	Act Against Unjustifiable Premiums and Misleading Representations	Consumer Affairs Agency

# Financial Section

## Consolidated Balance Sheets

Millions of yen

As of March 31	2017	2018
<b>Assets</b>		
Current assets		
Cash and deposits	55,587	47,573
Cash for Transportation Security Services	66,745	68,715
Notes and accounts receivable—trade	50,118	52,286
Lease receivables and investment assets	4,336	4,535
Short-term investment securities	803	338
Raw materials and supplies	5,375	5,708
Costs on uncompleted construction contracts	451	456
Advances paid	6,340	6,526
Deferred tax assets	2,183	2,311
Other	7,881	8,620
Allowance for doubtful accounts	(197)	(226)
Total current assets	199,627	196,845
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	48,336	48,096
Accumulated depreciation	(25,480)	(26,191)
Buildings and structures, net	22,856	21,905
Machinery, equipment and vehicles	130,824	136,429
Accumulated depreciation	(111,367)	(114,244)
Machinery, equipment and vehicles, net	19,457	22,185
Land	23,018	22,740
Lease assets	29,444	33,291
Accumulated depreciation	(13,513)	(14,475)
Lease assets, net	15,931	18,815
Construction in progress	992	662
Other	16,227	17,049
Accumulated depreciation	(11,509)	(12,111)
Other, net	4,717	4,937
Total property, plant and equipment	86,974	91,246
Intangible assets		
Software	3,411	3,207
Goodwill	18,615	21,108
Other	2,973	5,996
Total intangible assets	25,000	30,313
Investments and other assets		
Investment securities	40,300	42,597
Long-term loans receivable	359	337
Lease and guarantee deposits	8,935	8,447
Insurance funds	2,167	1,679
Net defined benefit asset	533	4,250
Deferred tax assets	10,394	8,912
Other	11,975	12,913
Allowance for doubtful accounts	(392)	(380)
Total investments and other assets	74,275	78,759
Total noncurrent assets	186,250	200,319
Total assets	385,877	397,164



As of March 31	2017	2018
Millions of yen		
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable—trade	21,426	23,420
Short-term loans payable	27,438	14,435
Current portion of long-term loans payable	3,378	3,176
Current portion of bonds	54	24
Accounts payable—other	17,060	22,762
Lease obligations	4,090	4,511
Income taxes payable	6,214	5,769
Accrued consumption taxes	3,849	3,762
Provision for bonuses	1,958	2,189
Provision for directors' bonuses	100	118
Deferred tax liabilities	0	0
Other	12,534	12,324
Total current liabilities	98,104	92,495
Noncurrent liabilities		
Bonds payable	47	23
Long-term loans payable	11,161	8,493
Lease obligations	19,429	21,993
Deferred tax liabilities	621	808
Deferred tax liabilities for land revaluation	314	314
Net defined benefit liability	29,572	27,327
Provision for directors' retirement benefits	1,778	1,806
Asset retirement obligations	77	101
Other	2,539	2,417
Total noncurrent liabilities	65,542	63,287
Total liabilities	163,647	155,782
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	31,485	34,243
Retained earnings	157,596	171,161
Treasury stock	(2,019)	(1,069)
Total shareholders' equity	205,737	223,010
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,306	7,358
Revaluation reserve for land	(5,286)	(5,286)
Foreign currency translation adjustment	69	4
Remeasurements of defined benefit plans	(11,204)	(6,850)
Total accumulated other comprehensive income (loss)	(9,114)	(4,773)
Non-controlling interests	25,607	23,144
Total net assets	222,230	241,382
Total liabilities and net assets	385,877	397,164

# Financial Section

## Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

Millions of yen

Fiscal years ended March 31	2017	2018
<b>Net sales</b>	413,343	435,982
<b>Cost of sales</b>	310,704	330,493
<b>Gross profit</b>	102,639	105,489
<b>Selling, general and administrative expenses</b>	74,217	75,378
<b>Operating income</b>	28,422	30,111
<b>Non-operating income</b>		
Interest income	176	176
Dividends income	587	613
Gain on sales of investment securities	6	86
Rent income	277	311
Gain from insurance claim	57	87
Equity in earnings of affiliates	1,420	1,292
Penalty income	274	300
Other	999	942
<b>Total non-operating income</b>	3,798	3,810
<b>Non-operating expenses</b>		
Interest expenses	1,005	987
Loss on sales of investment securities	3	1
Loss on retirement of noncurrent assets	162	198
Financing expenses	296	295
Other	443	525
<b>Total non-operating expenses</b>	1,911	2,008
<b>Ordinary income</b>	30,309	31,913
<b>Extraordinary income</b>		
Gain on sales of investment securities	59	1
<b>Total extraordinary income</b>	59	1
<b>Extraordinary loss</b>		
Loss on valuation of investment securities	12	1
Impairment loss	45	73
Provision for loss on dissolution of the employees' pension fund	95	—
<b>Total extraordinary loss</b>	153	74
<b>Income before income taxes</b>	30,215	31,841
<b>Income taxes—current</b>	10,940	11,366
<b>Income taxes—deferred</b>	(659)	(473)
<b>Total income taxes</b>	10,281	10,893
<b>Net income</b>	19,934	20,948
<b>Profit attributable to non-controlling interests</b>	1,603	1,603
<b>Profit attributable to owners of parent</b>	18,330	19,344

### Consolidated Statements of Comprehensive Income

Millions of yen

Fiscal years ended March 31	2017	2018
<b>Net income</b>	19,934	20,948
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	755	56
Foreign currency translation adjustment	48	(61)
Remeasurements of defined benefit plans, net of tax	2,091	4,462
Share of other comprehensive income (loss) of associates accounted for using equity method	(6)	108
<b>Total other comprehensive income</b>	2,888	4,566
<b>Comprehensive income</b>	22,823	25,514
<b>(Contents)</b>		
Comprehensive income attributable to owners of parent	21,128	23,761
Comprehensive income attributable to non-controlling interests	1,694	1,752

## Consolidated Statements of Changes in Net Assets

	Millions of yen						
	Shareholders' equity					Total net assets	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity		
<b>Balance as of April 1, 2016</b>	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							
Net changes of items other than shareholders' equity		(632)			(632)		
<b>Total changes of items during the period</b>	—	(632)	12,550	(28)	11,889		
<b>Balance as of March 31, 2017</b>	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 accumulated other comprehensive income (loss)		
<b>Balance as of April 1, 2016</b>	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
<b>Total changes of items during the period</b>	735	—	(43)	2,105	2,797	1,425	16,112
<b>Balance as of March 31, 2017</b>	7,306	(5,286)	69	(11,204)	(9,114)	25,607	222,230
	Millions of yen						
	Shareholders' equity					Total net assets	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity		
<b>Balance as of April 1, 2017</b>	18,675	31,485	157,596	(2,019)	205,737		
Cumulative effects of changes in accounting policies							
Balance at the beginning of current period reflecting changes in accounting policies	18,675	31,485	157,596	(2,019)	205,737		
Changes of items during the period							
Dividends from surplus			(5,780)		(5,780)		
Profit attributable to owners of parent			19,344		19,344		
Purchase of treasury stock				(1)	(1)		
Disposal of treasury stock							
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders							
Purchase of shares of consolidated subsidiaries			(668)		(668)		
Capital increase of consolidated subsidiaries			4		4		
Net changes of items other than shareholders' equity							
<b>Total changes of items during the period</b>	—	2,758	13,564	950	17,273		
<b>Balance as of March 31, 2018</b>	18,675	34,243	171,161	(1,069)	223,010		
	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 accumulated other comprehensive income (loss)		
<b>Balance as of April 1, 2017</b>	7,306	(5,286)	69	(11,204)	(9,114)	25,607	222,230
Cumulative effects of changes in accounting policies							
Balance at the beginning of current period reflecting changes in accounting policies	7,306	(5,286)	69	(11,204)	(9,114)	25,607	222,230
Changes of items during the period							
Dividends from surplus							(5,780)
Profit attributable to owners of parent							19,344
Purchase of treasury stock							(1)
Disposal of treasury stock							4,374
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders							—
Purchase of shares of consolidated subsidiaries							(668)
Capital increase of consolidated subsidiaries							4
Net changes of items other than shareholders' equity	51	—	(64)	4,354	4,341	(2,462)	1,878
<b>Total changes of items during the period</b>	51	—	(64)	4,354	4,341	(2,462)	19,151
<b>Balance as of March 31, 2018</b>	7,358	(5,286)	4	(6,850)	(4,773)	23,144	241,382

# Financial Section

## Consolidated Statements of Cash Flows

Millions of yen

Fiscal years ended March 31	2017	2018
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	30,215	31,841
Depreciation and amortization	13,773	14,133
Impairment loss	45	73
Amortization of goodwill	1,076	1,627
Increase (decrease) in allowance for doubtful accounts	(20)	17
Increase (decrease) in net defined benefit liability	658	(329)
Increase (decrease) in provision for bonuses	184	210
Increase (decrease) in provision for directors' bonuses	(36)	17
Interest and dividends income	(763)	(790)
Interest expenses	1,005	987
Equity in (earnings) losses of affiliates	(1,420)	(1,292)
Loss (gain) on sales of noncurrent assets	(22)	9
Loss on retirement of noncurrent assets	162	198
Loss (gain) on sales of investment securities	(62)	(87)
Loss (gain) on valuation of investment securities	12	1
Loss (gain) on valuation of derivatives	9	20
Decrease (increase) in notes and accounts receivable—trade	(878)	(2,175)
Decrease (increase) in inventories	844	(323)
Increase (decrease) in notes and accounts payable—trade	(2,300)	5,033
Decrease (increase) in net defined benefit asset	402	438
Decrease (increase) in assets and liabilities for Transportation Security Services	18,157	(13,630)
Other	4,135	1,014
<b>Subtotal</b>	<b>65,181</b>	<b>36,996</b>
Interest and dividends income received	984	1,056
Interest expenses paid	(1,005)	(989)
Income taxes paid	(10,617)	(11,591)
Income taxes refund	19	23
<b>Net cash provided by (used in) operating activities</b>	<b>54,561</b>	<b>25,496</b>
<b>Net cash provided by (used in) investing activities</b>		
Decrease (increase) in time deposits	(741)	947
Purchase of property, plant and equipment	(11,006)	(11,776)
Proceeds from sales of property, plant and equipment	165	22
Purchase of investment securities	(2,899)	(1,987)
Proceeds from sales of investment securities	2,106	1,544
Payments for transfer of business	—	(43)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(6,424)	(5,973)
Purchase of shares of subsidiaries and associates	—	(108)
Decrease (increase) in short-term loans receivable	183	25
Payments of long-term loans receivable	(90)	(45)
Collection of long-term loans receivable	110	76
Other	(3,459)	(1,807)
<b>Net cash provided by (used in) investing activities</b>	<b>(22,055)</b>	<b>(19,125)</b>
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	(5,989)	196
Proceeds from long-term loans payable	491	586
Repayment of long-term loans payable	(3,826)	(3,456)
Redemption of bonds	(104)	(54)
Purchase of treasury stock	(1)	(1)
Repayments of lease obligations	(4,265)	(4,420)
Cash dividends paid	(5,780)	(5,780)
Cash dividends paid to non-controlling interests	(474)	(500)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(632)	—
<b>Net cash provided by (used in) financing activities</b>	<b>(20,582)</b>	<b>(13,429)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(4)</b>	<b>(7)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>11,919</b>	<b>(7,064)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>35,630</b>	<b>47,549</b>
<b>Cash and cash equivalents at end of period</b>	<b>47,549</b>	<b>40,484</b>

## Breakdown of Sales/Number of Contracts

### Net Sales by Service Type

										Billions of yen
Fiscal years ended March 31	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Security Services</b>										
Electronic Security Services	142.5	138.9	138.4	142.9	147.1	151.8	160.4	167.1	170.5	173.8
Stationed Security Services	72.8	70.6	71.3	71.3	73.8	77.2	88.4	93.9	100.4	110.2
Transportation Security Services	47.4	46.8	47.6	49.8	50.8	51.0	52.3	54.6	56.1	60.2
General Property Management and Fire Protection Services <sup>1</sup>	—	—	17.0	36.6	40.6	44.8	58.3	54.9	57.8	61.9
Long-Term Care Services <sup>2</sup>	—	—	—	—	—	—	—	7.5	24.9	25.6
Other Services	22.2	22.1	4.7	4.0	3.0	3.2	6.2	3.5	3.4	4.0
<b>Total</b>	<b>285.0</b>	<b>278.5</b>	<b>279.2</b>	<b>304.7</b>	<b>315.5</b>	<b>328.2</b>	<b>365.7</b>	<b>381.8</b>	<b>413.3</b>	<b>435.9</b>

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

										Billions of yen
Fiscal years ended March 31	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business corporations <sup>3</sup>	164.8	163.1	160.9	178.4	186.5	196.7	224.9	234.3	244.9	263.5
Financial institutions <sup>3</sup>	90.4	85.7	88.3	90.7	89.8	90.5	91.3	92.3	91.7	92.0
Public institutions <sup>3</sup>	19.6	19.5	19.3	20.5	22.0	22.8	26.4	26.2	29.7	31.4
Individuals <sup>4</sup>	10.0	10.1	10.6	14.9	17.1	18.0	22.9	28.9	46.8	48.9
<b>Total</b>	<b>285.0</b>	<b>278.5</b>	<b>279.2</b>	<b>304.7</b>	<b>315.5</b>	<b>328.2</b>	<b>365.7</b>	<b>381.8</b>	<b>413.3</b>	<b>435.9</b>

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

										Contracts
Fiscal years ended March 31	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Security Services</b>										
Electronic Security Services	507,954	524,708	541,654	580,263	630,977	677,672	803,601	854,083	888,955	922,928
Corporate Clients	381,759	388,853	396,580	406,261	422,676	440,028	463,053	478,925	493,035	508,374
Individual Users	126,195	135,855	145,074	174,002	208,301	237,644	340,548	375,158	395,920	414,554 <sup>7</sup>
Stationed Security Services	2,854	2,785	2,866	2,934	3,020	3,227	3,597	3,871	4,213	4,357
Transportation Security Services	33,960	35,963	39,065	48,284	51,698	55,420	59,134	62,146	65,755	72,454
General Property Management and Fire Protection Services <sup>5</sup>	—	—	44,212	47,913	54,903	63,004	73,898	81,908	89,670	98,044
Long-Term Care Services <sup>6</sup>	—	—	—	—	—	—	—	12,804	22,628	21,234
Other Services	43,171	42,909	8,307	8,957	11,989	13,725	22,477	18,217	22,285	25,263
<b>Total</b>	<b>587,939</b>	<b>606,365</b>	<b>636,104</b>	<b>688,351</b>	<b>752,587</b>	<b>813,048</b>	<b>962,707</b>	<b>1,033,029</b>	<b>1,093,506</b>	<b>1,144,280</b>

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."

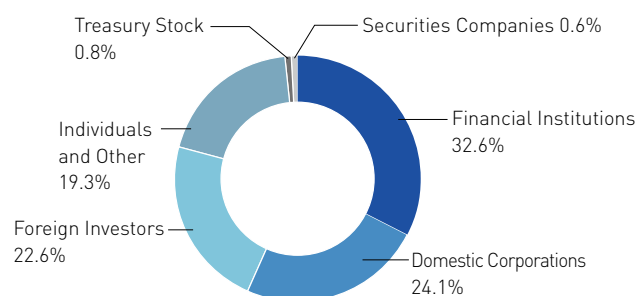
7. If contracts for individual households in housing complexes are included, this figure would be approximately 1,110,000.

# Corporate Information/Stock Information

## Corporate Information [As of April 1, 2018]

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) 37,519 (Non-consolidated) 11,976
Business Operations	Head office/64 Branches/37 Offices/251 Sales Offices/72 Consolidated Subsidiaries (Including 9 Overseas Subsidiaries)/11 Companies Accounted For by the Equity Method

## Distribution of Shares by Shareholder Type [As of March 31, 2018]



## Stock Information [As of March 31, 2018]

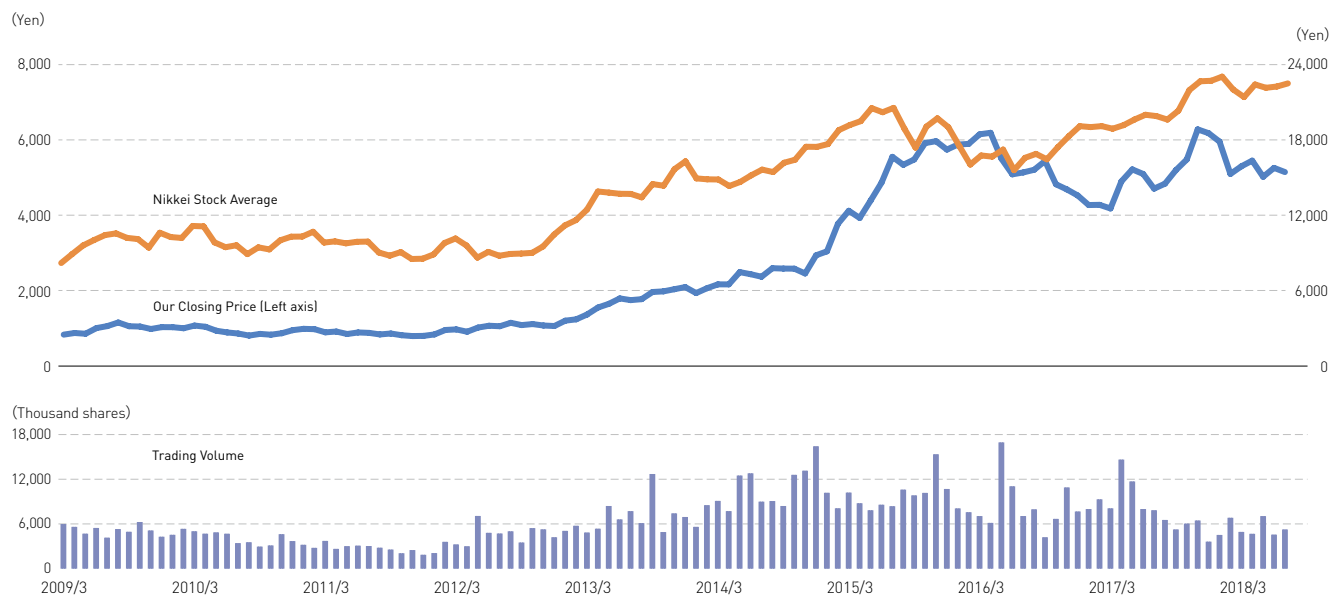
Total Number of Shares Authorized	300,000,000
Number of Shares Issued	102,040,042 (including 781,657 shares of treasury stock)
Number of Shareholders at the End of the Preceding Fiscal Period	13,067
Stock Listing	First Section of Tokyo Stock Exchange
Securities Code	2331
Minimum Trading Lot	100

## Major Shareholders (Top 10)

Name	Number of Shares Held (Thousand shares)	Controlling Share (%)
SOHGO CORPORATION	7,388	7.29
Saitama Machinery Co., Ltd.	5,283	5.21
Employees Shareholding Association	4,269	4.21
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	4.20
Kamakura Corporation	4,150	4.09
Japan Master Trust Bank, Ltd. (Trust account)	3,739	3.69
Japan Trustee Services Bank, Ltd. (Trust account)	3,421	3.37
Kizuna Corporation	2,950	2.91
Atsushi Murai	2,885	2.84
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	2,735	2.70

\* Treasury stock (781,657 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.





## SOHGO SECURITY SERVICES CO., LTD.

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

**IR Office** TEL +81-3-3423-2331  
FAX +81-3-3470-1565

**CSR Office** TEL +81-3-3470-1972  
FAX +81-3-5411-1636

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- The CO<sub>2</sub> emissions released during the creation of this report (2,000 kg) have been carbon offset using the Offsetting Credit certified by the Ministry of the Environment.