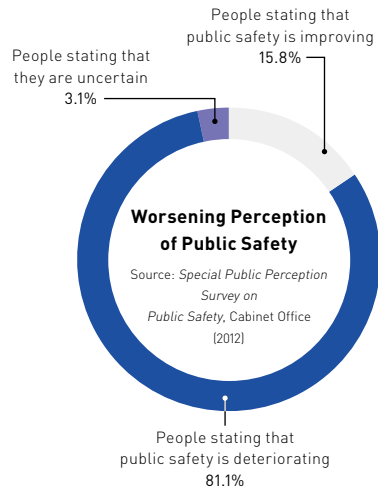


Japanese Security Services Industry and ALSOK's Position Therein

Security Services Operating Environment

In 2015, the number of reported crimes declined for the 13th consecutive year, coming to 1.10 million, less than half the level in 2002 when the number of reported crimes peaked at 2.85 million.

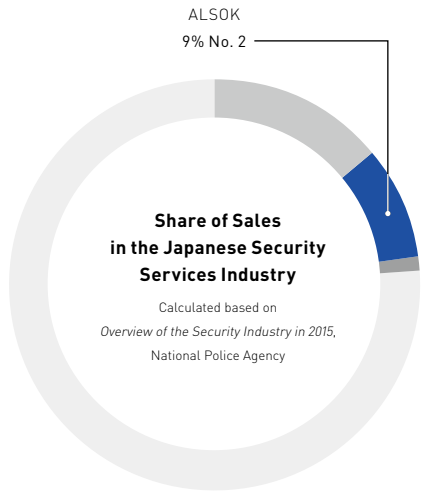
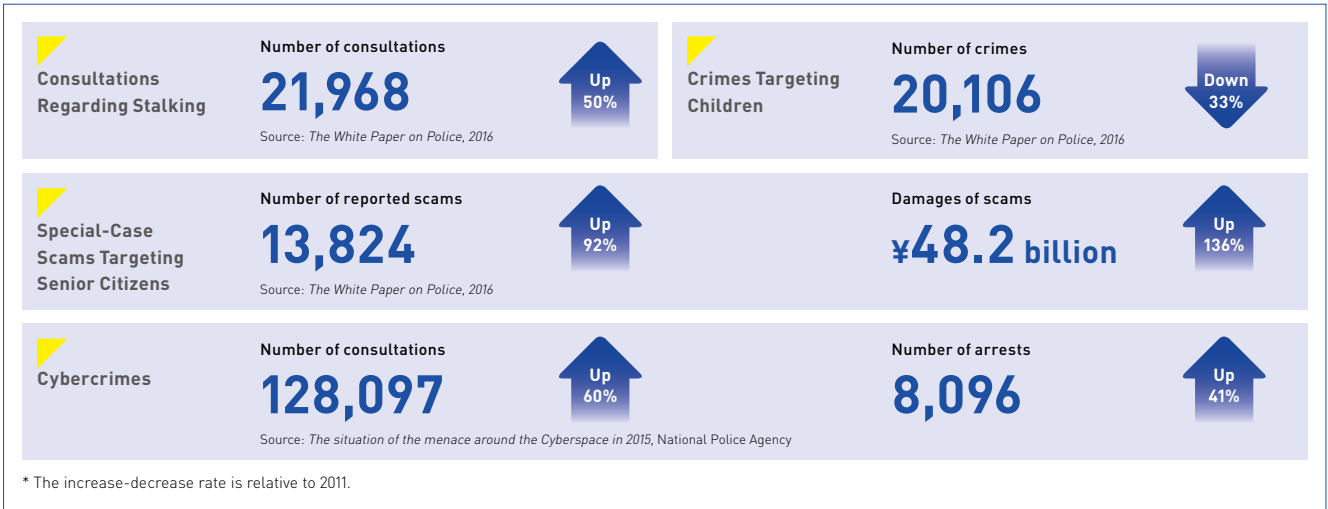
One reason behind this ongoing decline came from security services companies becoming widely viewed as providers of services contributing to social safety and security. As a result, the use of various security services became more commonplace, causing the number of applicable facilities equipped with electronic security services to more than double from the level of 1.16 million seen in 2002 to roughly 3.00 million in 2015. Conversely, there seems to be no end to crimes that impact our daily lives, such as those targeting women and children and special-case scams preying on senior citizens. At the same time, the threats facing society are growing increasingly diverse, as seen in occurrences of cyberattacks, information leaks, natural disasters, and frequent incidents of international terrorism. As such, an exceptionally large portion of the population is filled with concern, perceiving that public safety is deteriorating.



Trends in the Security Services Industry

Total annual sales in the Japanese security services industry exceeded ¥3.3 trillion<sup>1</sup> in the fiscal year ended March 31, 2016. Presently, there are approximately 9,342<sup>1</sup> security services companies in Japan with roughly 540,000 security guards, of which around 40% are over the age of 60. Moreover, the majority of security services companies mainly offer labor-intensive stationed security services, including traffic control<sup>2</sup>, as their primary service. Only a portion of these companies are capable of offering electronic and transportation security services, which require a large amount of capital investment. Contrary to the upward trend in the number of security services companies, the number of companies capable of providing electronic security services is on the decline, standing at only 676 as of March 31, 2016, approximately 25% less than the peak of 911 companies seen in 2002. Furthermore, the ratio of households introducing home security services in Japan has been preliminarily calculated as 4%. This ratio is much lower than those seen in Europe and the United States, and it can thus be said that the Japanese security services market has substantial room for growth.

1. Source: Overview of the Security Industry in 2015, National Police Agency  
2. Some countries do not consider traffic control to be part of security services.



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

