

Japanese Security Services Industry and ALSOK's Position Therein

Public Safety and Security Services Operating Environment in Japan

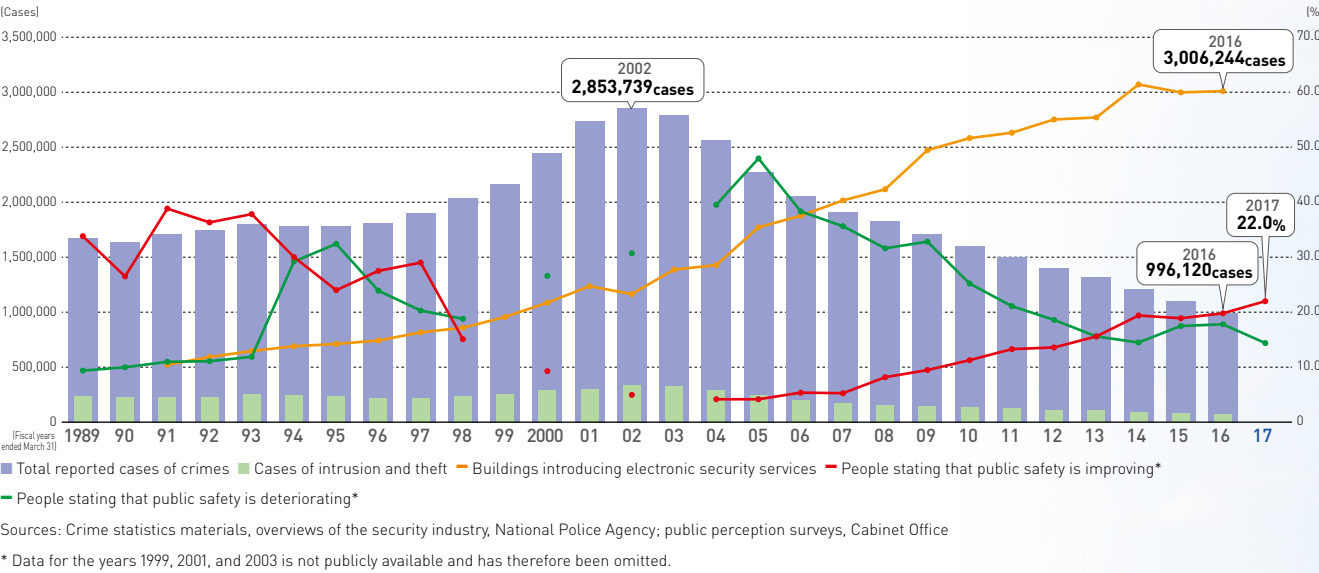
In 2016, the number of reported crimes declined for the 14th consecutive year, dropping below 1 million for the first time since World War II. Moreover, the number of reported crimes was nearly one-third the level from 2002 when the number of reported crimes peaked at 2.85 million, and cases of intrusion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

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

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

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

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



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

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

Consultations Regarding Stalking

22,737

Up 36%

Source: The White Paper on Police, 2017

Kidnapping Victims Under the Age of 13

106

Up 28%

Source: The White Paper on Police, 2017

Number of Arrests Related to Cybercrimes

8,324

Up 45%

Source: The White Paper on Police, 2017

Number of Reported Special-Case Scams

14,154

Up 96%

Source: The White Paper on Police, 2017

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

78.2%

Damages of Special-Case Scams

¥40,770million

Up 100%

Trends in the Security Services Industry

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

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

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

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

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

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



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