

Message from the Chairman

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



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Chairman and Representative Director
Chief Executive Officer (CEO)

Pursuit of New Business Opportunities

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

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

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

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

ALSOK's management is "Based on two core principles exemplified by *"arigato no kokoro"* (a feeling of gratefulness and gratitude) and *"bushi no seishin"* (a samurai spirit), we devote ourselves to protecting the safety and security of our customers and of society as a whole." This philosophy guides us in developing honest and diligent employees and in expanding our business. We will continue to position our security services operations as the core of our business going forward. At the same time, we will forge ahead with the development of new businesses and new services with the potential to support the Company, such as long-term care services and general property management and fire protection services, both areas from which we anticipate synergies. The infrastructure and know-how accumulated to date will be utilized in these efforts. As we grow our business in this manner, we will

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

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

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

always guided by our unchanging management philosophy.

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

Trustworthy Management Systems and Workplace Environment

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

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

Strengths Represented by the ALSOK Group's Human Resources

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

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

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

Management Philosophy

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

Management Policies

1 Fundamental Spirit

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

2 Priority

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

3 Basic Strategy

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

4 Contributing to Society

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

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