

# Review of Operations

## Security Services Operations

### TOPICS

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

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

Acquired PT. ALSOK BASS Indonesia Security Services

Acquired ALSOK Vietnam Security Services Joint Stock Company

Began offering Net de Security Guard

Established ALSOK SHOJITSU SECURITY SERVICE CO., LTD.

Provided security services for the 2017 Sapporo Asian Winter Games

Established ALSOK-TW East Japan Co., Ltd.

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

Established ALSOK KANTO DELIVERY CO., LTD.

### Electronic Security Services

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

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

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



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



### Stationed Security Services

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

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



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



### Transportation Security Services

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

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



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



### Column

#### ICT and ALSOK's Electronic Security Services

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

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

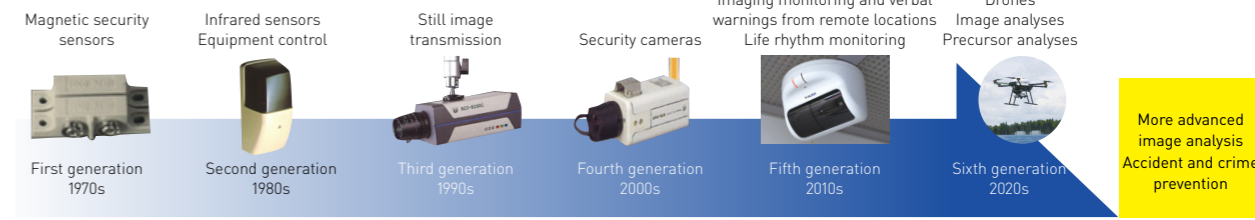
Today, we are developing technologies for preventing crime and accidents in the upcoming era of big data utilization. Such technologies include those that use AI to analyze camera images in

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

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

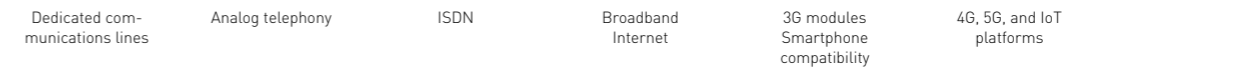
Furthermore, ALSOK is engaged in verification tests aimed at developing security services that utilize ultra-high-speed, high-capacity 5G communication networks to achieve compatibility with 4K and other high-resolution images. We hope to realize practical application of these services in the near future.

#### Evolution of ALSOK's Electronic Security Services



More advanced image analysis  
Accident and crime prevention

#### Evolution of Telecommunications Technologies



## Non-Security Operations

### TOPICS

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

Began providing vacation rental support solutions

Launched Flood Prevention Act response solutions

Started drug and explosive detector maintenance services

Began providing cybersecurity solutions for regional financial institutions

Released the ALSOK ANSHIN YOGA workout routine for senior citizens

Launched road monitoring services

Started selling emergency supply kits for senior citizens

Launched ALSOK Security and Equipment service package

Started selling MIMAMORI Tags

### General Property Management and Fire Protection Services



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



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

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

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

### Long-Term Care Services



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



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

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

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

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

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

### Other Services

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



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

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

### Column

#### Aggressive Business Expansion through M&A Activities

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

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

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

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

#### Recent Additions to the ALSOK Group

##### Security Services

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

##### General Property Management and Fire Protection Services

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

##### Long-Term Care Services

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