

October 3, 2017

To whom it may concern
(This is an English translation of the Japanese original)

Company: SOHGO SECURITY SERVICES CO., LTD.
Representative: Yukiyasu Aoyama,
President and Representative Director
(Securities Code: 2331, TSE 1st Sec.)
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Notice Concerning the Acquisition of 100% Ownership of Gunma Sohgo Guard System Co., Ltd.
through Simplified Share Exchange

SOHGO SECURITY SERVICES CO., LTD. (“ALSOK” TSE:2331) announces that it has today decided to enter into a share exchange agreement with consolidated subsidiary Gunma Sohgo Guard System Co., Ltd. (“Gunma Sohgo Guard System”), under which Gunma Sohgo Guard System will be a wholly owned subsidiary of ALSOK.

As this share exchange is of a simplified type intended to convert a consolidated subsidiary into a wholly owned subsidiary, some disclosure items are omitted.

1. Purpose of the share exchange

Gunma Sohgo Guard System offers security services such as stationed security and electronic security in Gunma Prefecture. By making Gunma Sohgo Guard System a wholly owned subsidiary, ALSOK will work to improve the mobility and compatibility of the group management, and to increase the corporate value and sustainable growth of business utilizing the management resource of the entire group.

2. Overview of the share exchange

(1) Schedule

Resolution date of Board of Directors (Gunma Sohgo Guard System)	October 2, 2017
Resolution date of Board of Directors (ALSOK)	October 3, 2017
Date of contract agreement	October 3, 2017
Resolution date of Extraordinary Shareholder’s Meeting (Gunma Sohgo Guard System)	October 19, 2017 (planned)
Effective date	November 10, 2017 (planned)

*1 ALSOK will effect this share exchange under Article 796 Paragraph 2 of the Companies Act and thus it is not subject to approval at a general shareholder’s meeting.

*2 The above schedule is subject to revision upon agreement of the two parties as necessary for the advancement of procedural matters to effect the exchange.

(2)Share exchange method

This share exchange will involve ALSOK as the wholly owning parent company and Gunma Sohgo Guard System as the wholly owned subsidiary company.

(3)Allocations

	SOHGO SECURITY SERVICES CO., LTD. (wholly owning parent company)	Gunma Sohgo Guard System Co., Ltd. (wholly owned subsidiary company)
Allocation ratio for this share exchange	1	72.55
Number of shares to be delivered under this share exchange	ALSOK common shares: 725,500 shares	

*1 Share exchange ratio of shares

ALSOK will deliver 72.55 common shares for each share of Gunma Sohgo Guard System. However, there will be no allocation of shares for this share exchange for the Gunma Sohgo Guard System shares already held by ALSOK.

*2 Number of shares to be delivered in this share exchange

ALSOK intends to deliver 725,500 common shares for this share exchange. The shares to be delivered by ALSOK will come from treasury shares it owns. ALSOK has no plans to issue new shares for allocation in this share exchange.

(4)Disposition of warrents or bonds with warrents attached of the 100% owned subsidiary

Gunma Sohgo Guard System has not issued share options or bonds with share options.

3. Approach to the calculation of allocations under this share exchange

With regard to the calculation of allocations under this share exchange agreement, ALSOK entrusted Frontier Management Inc., an independent third party, with the task of evaluating the equity value of Gunma Sohgo Guard System common stock. Frontier Management Inc. calculated the share exchange ratio using the average market price method for ALSOK. As for Gunma Sohgo Guard System, comparable peer company analysis and discounted cash flow method was used. For the implementation of this share exchange, each of these companies resolved to use the above share exchange ratio, which is based on the above calculations and takes into consideration factors such as each company's financial status, operating result movements, and stock price movements.

4. Overview of parties to the share exchange

	Wholly owning parent company	Wholly owned subsidiary company
(1) Company name	SOHGO SECURITY SERVICES CO., LTD.	Gunma Sohgo Guard System Co., Ltd.
(2) Head office address	1-6-6 Motoakasaka, Minato-ku, Tokyo	2-1-5 Owatarimachi, Maebashi-shi, Gunma

(3)	Representative	Yukiyasu Aoyama, President and Representative Director		Hiroshi Kawasaki, President and Representative Director	
(4)	Main lines of business	Security Business		Security Business	
(5)	Capital	18,675 million yen		10 million yen	
(6)	Date established	July 16, 1965		April 8, 1974	
(7)	Number of shares issued	102,040,042 shares		20,000 shares	
(8)	Book closing date	March 31		March 31	
(9)	Major shareholders and shareholding ratio	SOHGO CORPORATION	7.24%	SOHGO SECURITY SERVICES CO., LTD.	50.00%
		Saitama Machinery Co., Ltd.	5.17%	Saijuro Kaneko	13.00%
		Employees Shareholding Association	4.45%	Hiroshi Kawasaki	10.00%
		Trust & Custody Services Bank, Ltd. (as trustee for Mizuho Bank Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	4.17%	1 corporate shareholder, 8 individual shareholders	27.00%
		Kamakura Corporation	4.06%		
		Japan Trustee Services Bank, Ltd. (Trust account)	3.63%		
		Japan Master Trust Bank, Ltd. (Trust account)	3.20%		
		Kizuna Corporation	2.89%		
		Atsushi Murai	2.82%		
		Tokio Marine & Nichido Fire Insurance Co., Ltd.	2.79%		
(10)	Operating results and financial position as of end of most recent fiscal year (In millions of yen, except for those stated otherwise)				
Fiscal Year	SOHGO SECURITY SERVICES CO., LTD. (Consolidated)		Gunma Sohgo Guard System Co., Ltd. (Non-consolidated)		
	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2017		
Net Assets	222,230		7,303		

Total Assets	385,877	8,286
Net assets per share (Yen)	1,956.25	365,191.91
Net Sales	413,343	4,143
Operating income	28,422	658
Ordinary income	30,309	707
Profit attributable to owners of parent	18,330	462
Net income per share (Yen)	182.37	23,140.41

5. Status after the share exchange

There will be no changes made by ALSOK in its name, address, name/title of representative, business activities, capital or book closing date as a consequence of this share exchange.

6. Future outlook

The impact on financial results for fiscal year ending March 31, 2018 is expected to be minor.