

Corporate Governance

Basic Corporate Governance Policy and System

The ALSOK Group advocates "contribution to society and public welfare" as one of its management policies, and the Group focuses its efforts on protecting the safety and security of customers and society. Meanwhile, to continue to be a corporate group that is trusted by all stakeholders, we strive to reinforce Groupwide corporate governance with measures that separate managerial execution and oversight functions, allow swifter decision making, encourage strong corporate ethics, and provide transparency in business management.

Corporate Governance System

The Company employs the Audit & Supervisory Board Member system, effectively creating a double-check function through which operational execution is overseen by the Board of Directors, while the Audit & Supervisory Board conducts audits. ALSOK strives to clarify the division of roles in management and business execution as well as expedite management decision making. To those ends, it introduced the executive officer system in June 2002, an in-house company system in April 2010, and appointed a chief executive officer (CEO) and a chief operating officer (COO) on April 1, 2011.

Corporate governance system	Company with Audit & Supervisory Board
Chairman of the Board of Directors	Chairman and Representative Director
Number of directors	8 (of whom 2 are outside directors)
Number of Audit & Supervisory Board Members	4 (of whom 3 are outside Audit & Supervisory Board Members)
Ratio of outside directors and Audit & Supervisory Board Members to total directors and Audit & Supervisory Board Members	42%
Number of independent directors/Audit & Supervisory Board Members	5
Number of meetings of the Board of Directors and attendance by outside directors and Audit & Supervisory Board Members in the year under review	17 times Outside directors: 1 attended 94% of meetings, 1 attended 100% of meetings Outside Audit & Supervisory Board Members: 2 attended 100% of meetings, 1 attended 94% of meetings
Number of meetings of the Audit & Supervisory Board and attendance by outside Audit & Supervisory Board Members in the year under review	17 times 2 attended 100% of meetings, 1 attended 94% of meetings

Reasons for Appointment and Duties of Outside Directors and Outside Audit & Supervisory Board Members

The Company employs two outside directors and three outside Audit & Supervisory Board Members; applications have been submitted to the Tokyo Stock Exchange identifying each of these individuals as independent directors and independent auditors, respectively. It is anticipated that each outside director and each outside Audit & Supervisory Board Member will offer valuable input based on the experience and expertise acquired during their professional career. Further, these independent officers are free of circumstances that would cause them to hold conflicting interests with the general shareholders of the Company. In total, these factors are expected to enable the outside directors and Audit & Supervisory Board Members to effectively monitor management from an independent standpoint, and they were appointed based on this belief.

Outside directors and outside Audit & Supervisory Board Members attend meetings of the Board of Directors, at which they offer their opinions on the matters at hand. They receive briefings on the issues to be

discussed at meetings of the Board of Directors prior to the meeting, allowing them to more effectively monitor management. The participation of the outside directors in these meetings enables them to monitor the operational execution of other directors with regard to Internal Control Operations and other matters from an independent standpoint.

The outside Audit & Supervisory Board Members coordinate with the Inspection Department and the independent auditing corporation employed by the Company in regard to audits by Audit & Supervisory Board Members, internal audits, and accounting audits. To facilitate this coordination, the outside Audit & Supervisory Board Members periodically exchange information with these bodies. They also evaluate the legality of the measures implemented by Internal Control Operations. To this end, they perform both operational and accounting audits of the organization and review all relevant documents.

In view of the above, the Company believes that the outside Audit & Supervisory Board Members are able to conduct effective and comprehensive audits and that the governance controls for management are functioning properly.

Compensation for Directors and Audit & Supervisory Board Members

Amount of Compensation

The number of members and total compensation for each classification in the fiscal year ended March 31, 2015, are as follows.

Classification	Members	Total compensation (Millions of yen)
Directors (excluding outside directors)	6	180
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	1	23
Outside directors and Audit & Supervisory Board Members	5	53
Total	12	257

Policies and Methods for Deciding Compensation Amounts

Annual limits of ¥400 million for the compensation of directors and ¥120 million for the compensation of Audit & Supervisory Board Members have been set at General Shareholders' Meeting. The compensation of directors includes a fixed amount, calculated according to their positions and whether they are an outside director or not, as well as a performance-linked amount, calculated based on an evaluation of the operational execution performance of individual directors in the previous fiscal year conducted in accordance with predetermined standards. Decisions regarding the compensation of directors are made by the Board of Directors. The compensation of Audit & Supervisory Board Members is paid as a fixed amount decided in accordance with standards set by the Audit & Supervisory Board.

Internal Control System

Based on the Companies Act and the Financial Instruments and Exchange Act, the Company has established systems to ensure directors perform duties in compliance with all relevant laws and regulations and the articles of incorporation. In addition, the Company has in place systems for guaranteeing that proper operating practices are observed by other listed companies and the corporate groups

consisting of these companies and their subsidiaries.

The management of the ALSOK Group carried out an evaluation of the Group's internal control system as of March 31, 2015, based on the Financial Instruments and Exchange Act. This evaluation found that the internal control system is effective, which has been noted in the report on the internal control system. The independent auditing corporation, Grant Thornton Taiyo LLC, has also expressed the opinion that the result of the evaluation by the management noted in the internal control report is accurate.

Compliance

The Company has established the Compliance Committee, which is headed by the executive officer in charge of compliance. The committee strives to inculcate an unwavering awareness of compliance in all executive officers and employees based on the compliance rules formulated in 2002, and it periodically verifies the status of compliance in business and other activities. Furthermore, the Company conducts activities to promote compliance on a Groupwide basis. Moreover, along with the Education & Training Department, the Compliance Committee is implementing corporate ethics training and taking other steps to cultivate and thoroughly trench a compliance-based mind-set.

The ALSOK Hotline was set up in April 2004 to facilitate early identification and prevention of corporate ethics issues. This hotline allows employees to report any issues that they may witness. (For more information, please refer to page 29.)

Risk Management

The Company places particular importance on risk management, which is central to its business of protecting the safety and security of society. Accordingly, the Company formulated risk management rules in 2002. The Company then established the Risk Management Committee based on these risk management rules and assigned the executive officer in charge of risk management as its chairperson. In addition, individual risk

management assessment bodies have been set up at the Head Office and each individual business office to undertake exhaustive, Companywide risk management activities. Furthermore, the Company has developed organizational structures to ensure that it can respond quickly should a serious emergency occur. Through such structures, the Company is able to relay urgent orders throughout the organization, set up a response headquarters, or take other emergency response measures.

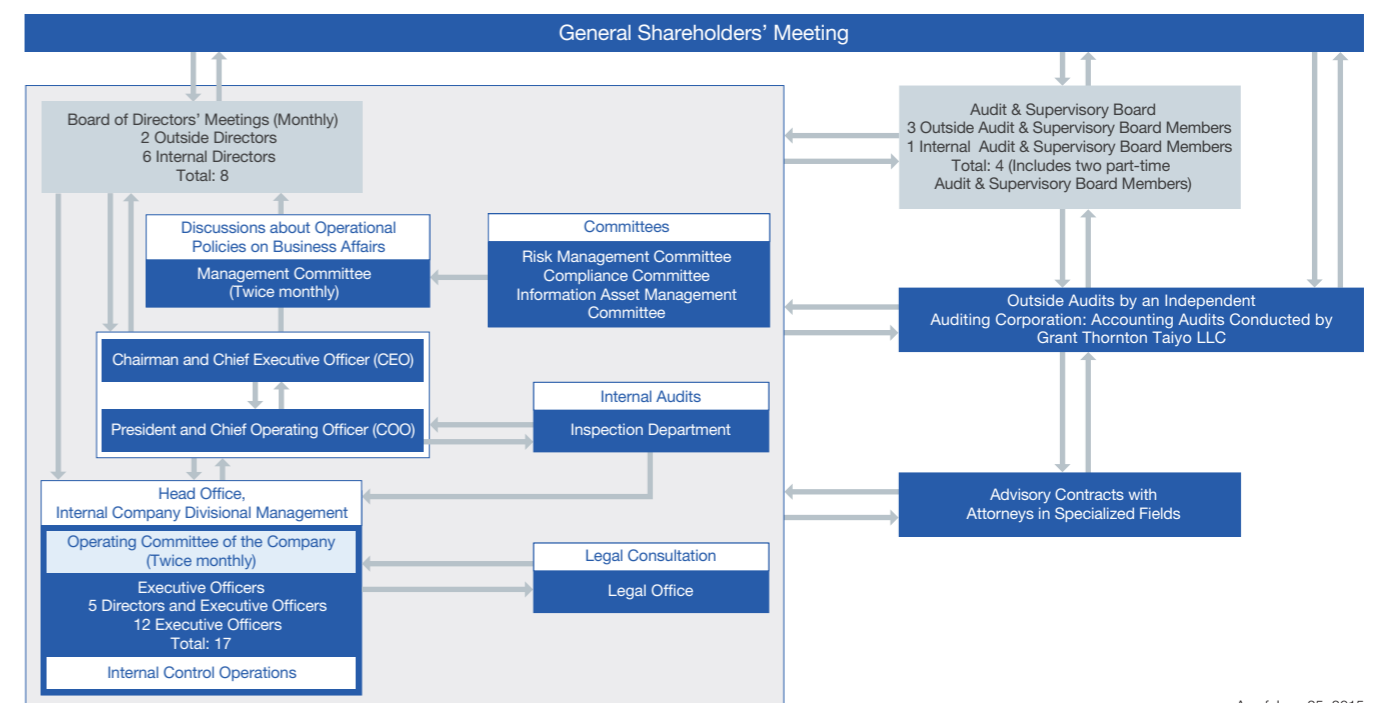
In September 2004, the Company established the Information Asset Management Committee, chaired by the executive officer in charge of information asset management. The purpose of the committee is to respond as swiftly as possible to changes in the information asset management environment, such as the full implementation of the Personal Information Protection Law, which was enacted in April 2005. The committee undertakes such activities as the development of a structure for the management of personal, business, and other important information in the Company's possession as well as the promotion of employee education on this topic.

Disclosure and IR Activities

ALSOK has formulated its Disclosure Policy based on which it actively conducts impartial and timely information disclosure. In addition, the Company has revised its investor relations (IR) website to provide investors and other stakeholders with greater ease in finding the information they seek. We also aim to foster a deeper understanding among overseas institutional investors of the security services industry in Japan and the growth strategies of the ALSOK Group. To this end, we provide English-language translations of financial summaries and other documents on our English-language IR website.



The Company's IR Website <http://www.alsok.co.jp/en/ir/>



As of June 25, 2015