



# Stepping forward

**ALSOK REPORT 2016**

Fiscal year ended March 31, 2016

**SOHGO SECURITY SERVICES CO., LTD.**

# ALSOK contributes to the safety and security of society by providing products and services that address customer needs.

Since its founding in 1965, the ALSOK Group has continued to contribute to the safety and security of customers and society by developing its wide-ranging security services operations as a leading company in the Japanese security services industry.

Going forward, we will continue to supply products and services that address the diversifying needs of customers with the aim of forging strong bonds of trust with society and realizing ongoing improvements in corporate value.



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## 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.

## Code of Conduct

- 1 We will devote ourselves to serving our customers and society as a whole in a way that reflects a feeling of gratefulness and gratitude.
- 2 We will embody a samurai spirit in everything we do based on toughness, fairness, and generosity, standing firm in the face of adversity and banding together to embrace success.
- 3 We will value autonomy in our actions, empowered by “*yacho seishin*” (the spirit of a wild bird)—which represents independence, self-respect, perseverance, acuity, and tenacity—and take responsibility for delivering results.
- 4 We will carry out our day-to-day activities based on the principles of sincerity, accuracy, strength, and speed.
- 5 We will know no complacency, always marching forward purposefully while growing and refining our business to continue to provide value to customers and to society as a whole, thereby continuing to be relevant.
- 6 We will pursue perpetual self-improvement and remain highly committed to compliance, thereby attracting and nurturing human resources of the caliber worthy of the industry leader.

### Editorial Policy

*ALSOK Report 2016* has been constructed as an integrated report that compiles information on the Company’s performance, business operations, future strategies, and financial information as well as non-financial information on its corporate social responsibility (CSR) activities and other topics. We have positioned this report as an important tool for disclosing management information to all of our stakeholders.

This report has been designed to provide an easy-to-understand overview of the ALSOK Group’s business activities. This overview is meant to illustrate how the Group goes beyond simply pursuing its own interests to earnestly address environmental, social, and governance (ESG) concerns and contribute to the realization of a sustainable society.

We hope that this report will help readers gain a deeper understanding of the ALSOK Group.

For more comprehensive and detailed information, please also refer to the Company’s corporate website.

### Information for Shareholders and Other Investors

ALSOK’s corporate website includes detailed information on the Company’s management policies, financial position, business performance, and stock as well as an assortment of investor relations (IR) materials.

IR website: <http://www.alsok.co.jp/en/ir/>



### CSR and Social Contribution Activities

Detailed information on the CSR and social contribution activities that ALSOK is advancing as part of its business activities based on ISO 26000 can be found on its corporate website (available in Japanese only).

CSR website: <http://www.alsok.co.jp/en/csr/>

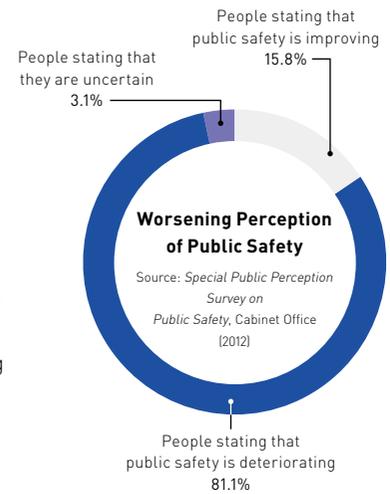


# Japanese Security Services Industry and ALSOK's Position Therein

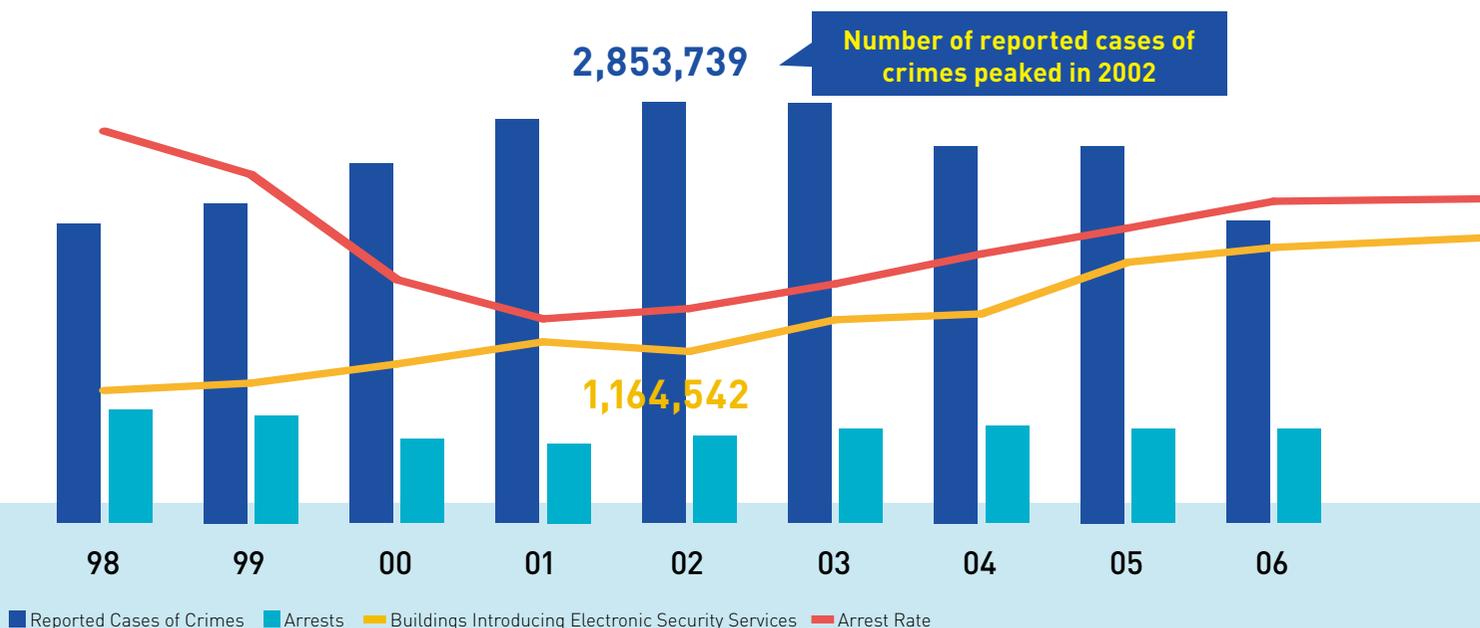
## Security Services Operating Environment

In 2015, the number of reported crimes declined for the 13th consecutive year, coming to 1.10 million, less than half the level in 2002 when the number of reported crimes peaked at 2.85 million.

One reason behind this ongoing decline came from security services companies becoming widely viewed as providers of services contributing to social safety and security. As a result, the use of various security services became more commonplace, causing the number of applicable facilities equipped with electronic security services to more than double from the level of 1.16 million seen in 2002 to roughly 3.00 million in 2015. Conversely, there seems to be no end to crimes that impact our daily lives, such as those targeting women and children and special-case scams preying on senior citizens. At the same time, the threats facing society are growing increasingly diverse, as seen in occurrences of cyberattacks, information leaks, natural disasters, and frequent incidents of international terrorism. As such, an exceptionally large portion of the population is filled with concern, perceiving that public safety is deteriorating.



## Number of Reported Cases of Crimes and Buildings Introducing Electronic Security Services

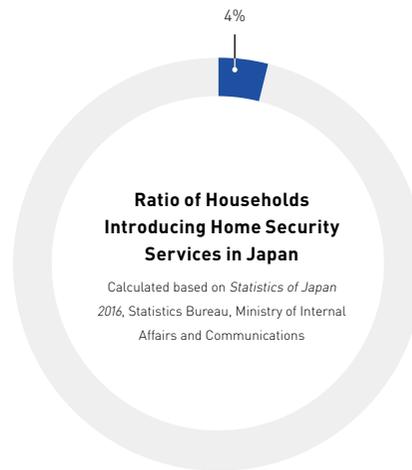
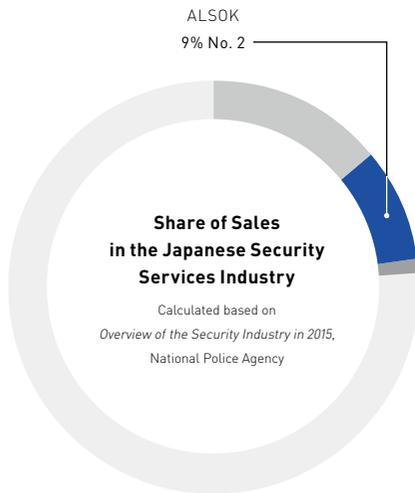


### Trends in the Security Services Industry

Total annual sales in the Japanese security services industry exceeded ¥3.3 trillion<sup>1</sup> in the fiscal year ended March 31, 2016. Presently, there are approximately 9,342<sup>1</sup> security services companies in Japan with roughly 540,000 security guards, of which around 40% are over the age of 60. Moreover, the majority of security services companies mainly offer labor-intensive stationed security services, including traffic control<sup>2</sup>, as their primary service. Only a portion of these companies are capable of offering electronic and transportation security services, which require a large amount of capital investment. Contrary to the upward trend in the number of security services companies, the number of companies capable of providing electronic security services is on the decline, standing at only 676 as of March 31, 2016, approximately 25% less than the peak of 911 companies seen in 2002. Furthermore, the ratio of households introducing home security services in Japan has been preliminarily calculated as 4%. This ratio is much lower than those seen in Europe and the United States, and it can thus be said that the Japanese security services market has substantial room for growth.

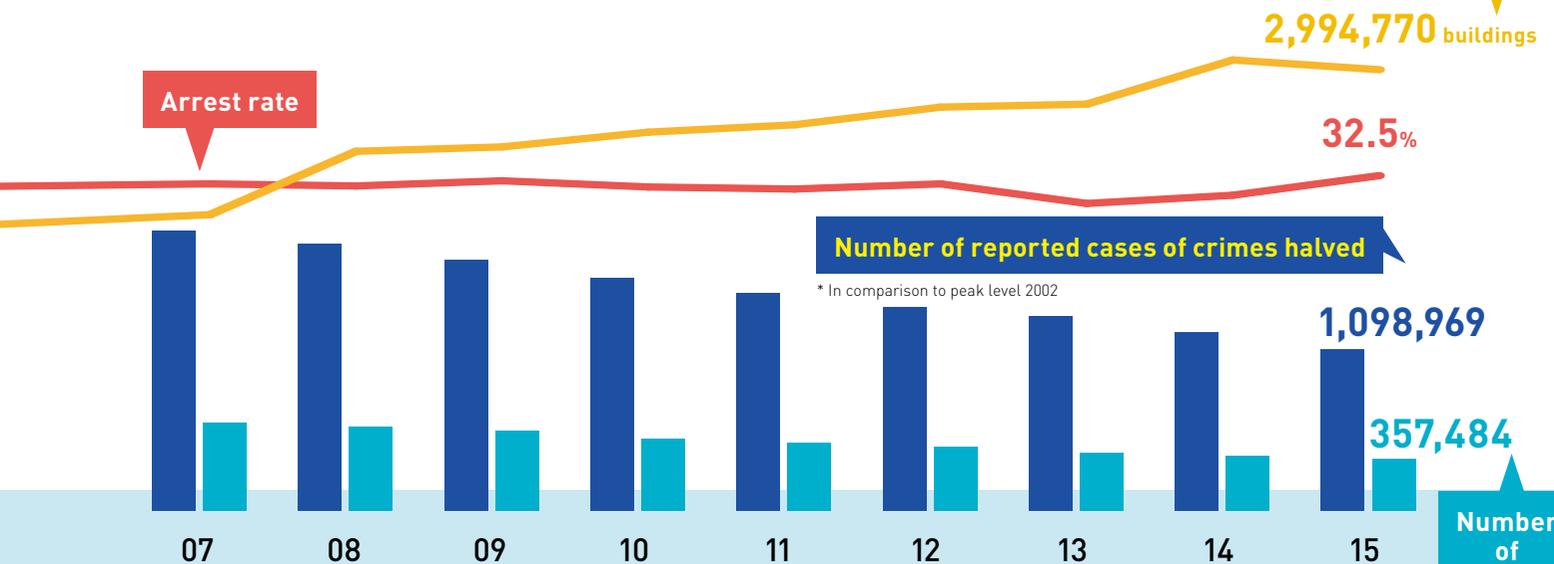
1. Source: *Overview of the Security Industry in 2015*, National Police Agency

2. Some countries do not consider traffic control to be part of security services.



### Number of buildings introducing electronic security services doubles

\* In comparison to 2002



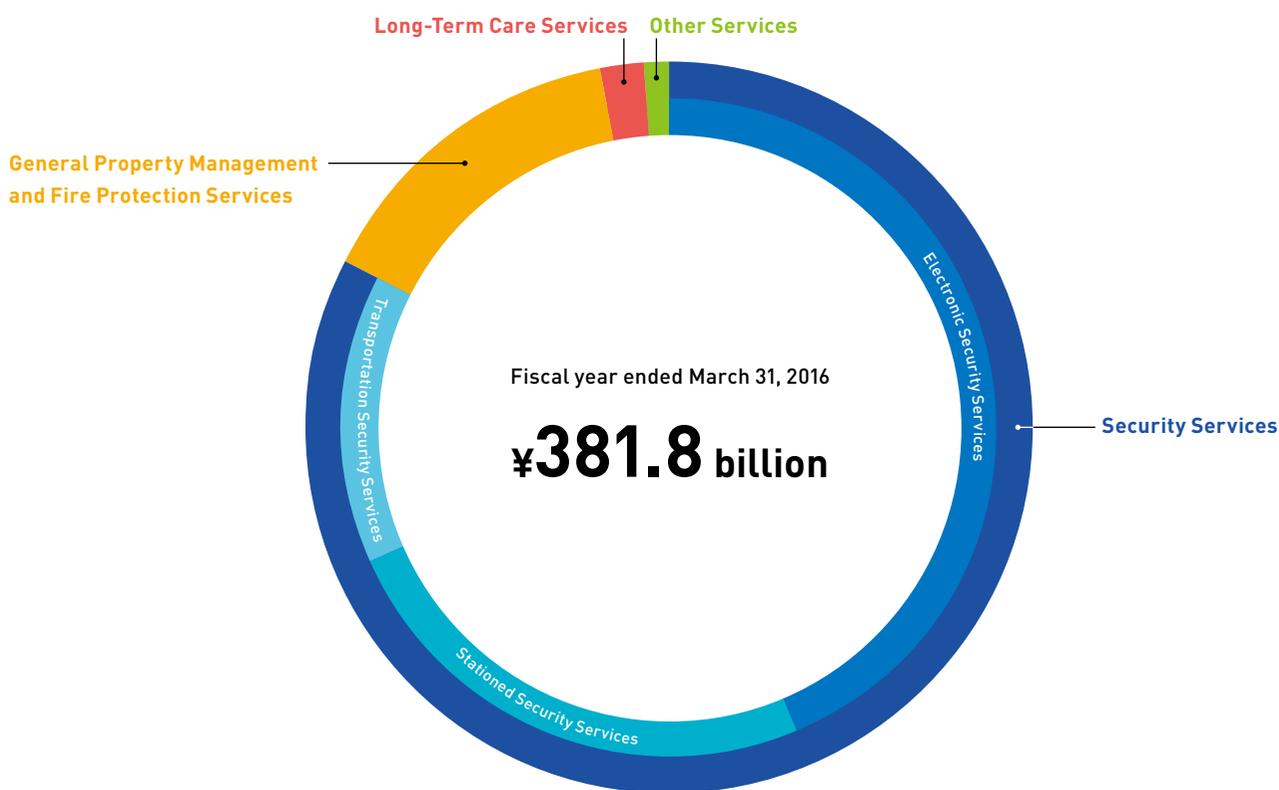
## The ALSOK Group's Business

The ALSOK Group has continued to contribute to the development of Japanese society as a leading company in the security services industry since it was founded in July 1965. These contributions have included providing stationed security services at such historic events as Expo '70 in Osaka in 1970 and Olympic Winter Games Sapporo 1972.

Today, the ALSOK Group offers its electronic security services, stationed security services, and transportation security services throughout Japan. Boasting the advantage of convenient services through which security guards are capable of being dispatched to anywhere in Japan 24 hours a day, 365 days a year, we are providing an important piece of Japan's economic and social infrastructure.

Furthermore, the ALSOK Group has continued to branch out from its security services operations. Seeking to respond to the various safety and security needs of individual users and offer multifaceted support for the business activities of corporate clients, we have greatly broadened our business domain. Today, this domain encompasses not only security services but also building maintenance and ancillary installation services for corporate clients, as well as safety confirmation, living support, and long-term care services for individual users.

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



Electronic Security Services Contracts (for Corporate Clients)

Approx. **480,000**

\* As of March 31, 2016

Home Security Services Contracts

Approx. **380,000**

\* Approx. 920,000 housing units covered when including contracts with housing complexes  
 \* As of March 31, 2016

No. 1 Sales of Stationed Security Services

¥**93.9 billion**

\* In the fiscal year ended March 31, 2016

ATMs Managed through Total ATM Management System

Approx. **60,300**

\* Approx. 200,000 ATMs in Japan in total (based on Company estimate)  
 \* As of March 31, 2016

Aggregate AED Sales

Approx. **117,000 units**

\* Approx. 630,000 AEDs in Japan in total (as of December 31, 2014, based on survey by Ministry of Health, Labour and Welfare research team)  
 \* As of March 31, 2016

Long-Term Care Service Users

Approx. **12,000**

\* As of September 30, 2016

## Security Services

### Electronic Security Services

P.7



Net Sales  
**¥167.1 billion**

Percentage of  
Total Net Sales  
**43.8%**

At the core of ALSOK's security services is its centralized monitoring system, which is formed using state-of-the-art information and communications technologies (ICT). Through this system, our Guard Centers are always linked to customer properties, enabling our highly trained and experienced staff to monitor the premises 24 hours a day, 365 days a year and thereby ensuring that customers' assets are protected under any circumstances.

### Stationed Security Services

P.7



Net Sales  
**¥93.9 billion**

Percentage of  
Total Net Sales  
**24.6%**

ALSOK's Stationed Security Services segment stations security guards at office buildings and various other customer facilities. These security guards administer access control by monitoring or checking the identity of each person who enters or exits designated customer facilities. In addition, they also conduct patrols to detect irregularities. Furthermore, we conduct monitoring activities at disaster prevention centers and central management centers. We also offer security for events and other crucial security services.

### Transportation Security Services

P.8



Net Sales  
**¥54.6 billion**

Percentage of  
Total Net Sales  
**14.3%**

ALSOK's Transportation Security Services segment includes its Total ATM Management System for use by banks and convenience stores, its Cash Deposit and Dispenser Machine On-line System, in which we manage the daily sales revenues of business owners, and the Cash Transport System service offered to financial institutions.

## General Property Management and Fire Protection Services

→ P.9



Net Sales  
**¥54.9 billion**

Percentage of  
Total Net Sales  
**14.4%**

ALSOK offers facility management services spanning from security to facility installation on a one-stop basis through Japan Facilio Co., Ltd.; Nippon Building Maintenance Co., Ltd.; ALSOK Souei Co., Ltd.; HOCHIKI CORPORATION; ALSOK Building Services Co., Ltd.; and Nippon Dry-Chemical Co., Ltd.

## Long-Term Care Services

→ P.10



Net Sales  
**¥7.5 billion**

Percentage of  
Total Net Sales  
**2.0%**

ALSOK provides various long-term care services through HCM Corporation; ALSOK Care & Support Co., Ltd.; and Wisnet Co., Ltd. (joined the Group in May 2016).

## Other Services

→ P.10



Net Sales  
**¥3.5 billion**

Percentage of  
Total Net Sales  
**0.9%**

We also offer such services as MAMOLOOK, a multifunctional mobile security terminal; information security services, which protect against cyberattacks and information leakage; and ALSOK DENPO, a telegraph service.

# Review of Operations



## Security Services Operations

ALSOK's various security services operations protect the lives, facilities, and assets of customers. Our electronic security services entail installing sensors at contracted premises and dispatching security guards to the scene should an abnormality be detected. In stationed security services, we post security guards at office buildings and other facilities to provide services such as access management, patrols, and monitoring through disaster response centers. ALSOK's transportation security services include ATM management services for banks and convenience stores, sales revenue management services for business owners, and cash transportation services for financial institutions.

### Electronic Security Services

Introduction Video  
(in Japanese only)

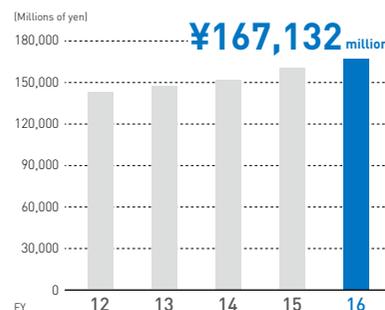


ALSOK's Electronic Security Services segment installs sensors at contracted premises and then dispatches security guards to the scene should an alarm signal be received by the Company's centralized monitoring centers (Guard Centers). Security guards are able to rush to locations throughout Japan, arriving within the time limit stipulated by the Security Services Act, from one of approximately 2,400 depots located across the country. In Japan, we supply electronic security services to approximately 480,000 corporate clients and 380,000 individual users (making for roughly 920,000 housing units if contracts with housing complexes are included), meaning that we hold the No. 2 share of the domestic market. Through these services, we protect a wide range of premises, including everything from individual homes to large-scale buildings and commercial facilities.

In the year under review, we promoted sales of ALSOK-GV (read as "ALSOK G-five") and Control System S-860. In addition, October 2015 saw the launch of the new ALSOK Image Cloud Service. We also deployed initiatives to respond to demand for stronger security to protect against leakage of confidential information, which included taking steps to address the Social Security and Tax Number System ("My Number" system). These initiatives resulted in higher revenues from sales of access management systems, security cameras, and other equipment.

In services for individual users, we witnessed smooth progress in orders for the HOME ALSOK APARTMENT AND CONDOMINIUM PLAN, a service for housing complexes, as well as services for protecting the safety of senior citizens provided to municipal governments. Also during the year under review, we enhanced our product lineup with the launch of Home Security Basic.

#### Net Sales



### Stationed Security Services

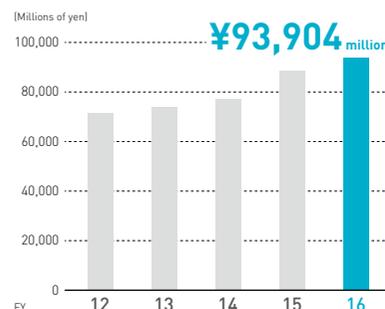
Introduction Video  
(in Japanese only)



The operations of ALSOK's Stationed Security Services segment have continued since the Company was founded. These services entail positioning security guards at office buildings and other facilities to monitor the premises, conduct access management, offer security and patrol facilities, perform monitoring through disaster response centers and management centers, manage facilities, guide guests, and offer a wide range of other services. ALSOK is No. 1 in terms of stationed security service sales, and we provide stationed security services to large-scale facilities as well as to international conferences and other major events. Currently, major contracts include stationed service operations at the head branch of a megabank and at TOKYO SKYTREE TOWN®. In addition, we have supplied security services to the Group of 7, at the G7 Ise-Shima Summit held in 2016, for example.

In the year under review, orders for stationed security at commercial complexes as well as orders for temporary security at events contributed to higher sales. At the same time, we realized further sales growth by acquiring orders in new fields, such as train station management and wholesale market security.

#### Net Sales



## Transportation Security Services

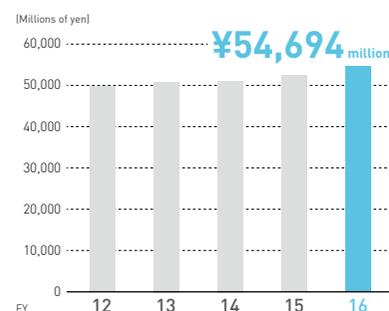
Introduction Video  
(in Japanese only)



ALSOK's Transportation Security Services segment provides security services to guard against theft and other incidents that may occur during the transportation of precious metals, works of art, and other valuables. Services offered since the Company's founding include cash and check transportation security services for financial institutions as well as transportation services for marketable securities that use Shinkansen trains. More recent offerings include the Total ATM Management System, which provides comprehensive ATM management services for financial institutions. We currently manage approximately 60,300 ATMs through this system. For business owners, we also supply the Cash Deposit and Dispenser Machine On-line System, which offers safe and efficient management for the daily sales revenues of restaurants and other businesses. As of March 31, 2016, roughly 18,000 ALSOK cash deposit and dispenser machines were in operation across Japan.

In the year under review, orders for the Total ATM Management System buoyed sales amid a growing trend toward outsourcing operation and management of ATMs installed in financial institutions and convenience stores.

### Net Sales



## Reinforcement of Overseas Operations Centered on Southeast Asia



\* The Company's connection with Taiwan Shin Kong Security Co., Ltd., is limited to investment.

ALSOK began its first overseas forays in 2007 with the start of operations in Thailand. As of 2016, we operate in seven countries (excluding those in which we have representative offices). Our overseas operations primarily consist of supporting Japanese companies looking to expand into other countries through the provision of security consulting, stationed security services, electronic security services, and the sale of security-related equipment. In Thailand, for example, we have a stationed security squad consisting of more than 600 security guards that provide high-quality stationed security services, and are also offering electronic security services featuring image monitoring functionality. Looking ahead, we intend to expand the scope of our business in all countries of operation to include products and services in new fields, such as facility management and other non-security-related management services as well as AED sales. As part of this process, we will broaden our range of targets, continuing to pursue relationships with Japanese companies—our current target—while seeking to leverage our expertise and technological prowess to make total security proposals to local companies as well.

Moreover, we have been concluding share acquisition agreements with allied security companies in Vietnam and Indonesia with a view to converting them into consolidated subsidiaries. We thereby aim to further expand our electronic security services, stationed security services, and other operations in these countries.

## Review of Operations



### General Property Management and Fire Protection Services

In the General Property Management and Fire Protection Services segment, we leverage the strengths of Group companies to conduct sales, installation, and inspection of facilities and disaster prevention equipment at buildings and condominiums and offer a wide range of other facility management services on a one-stop basis.

#### Business Overview and Performance in the Year under Review

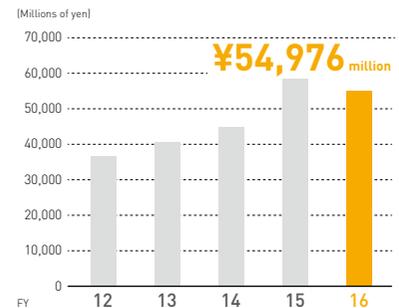
Introduction Video  
(in Japanese only)



In this segment, we offer services that are highly compatible with our security services operations. These services include inspection of fire prevention and other equipment, cleaning services, call center services, and electrical, plumbing, and air-conditioning equipment installation. With other offerings including the sale of AEDs and the sale, installation, and inspection of disaster prevention equipment, we deliver total support for the management of buildings, condominiums, and other facilities.

In the year under review, we bolstered intra-Group coordination in order to strengthen our system for providing one-stop response to customer needs related to the maintenance, management, and operation of buildings, condominiums, and other facilities, resulting in the smooth acquisition of facility-related orders. In addition, sales were up for ALSOK Aerial Photography Services, which utilize drones to efficiently manage large-scale solar power installations and help maintain high levels of generation efficiency, as well as for fire extinguishing equipment and charging facilities for electric vehicles. However, revenue from installation work was down.

#### Net Sales



### New Service Utilizing Drones—ALSOK Aerial Photography Services (For Large-Scale Solar Power Installations)

Drones are unmanned aerial robots that are currently being utilized in a wide range of fields due to their ability to perform inspections and other work at high altitudes and over expansive areas. ALSOK has also been taking advantage of drones, using them to confirm the status of eruptions at volcanoes and to perform inspections at large-scale solar power installations, among other applications. For example, ALSOK Aerial Photography Services for large-scale solar power installations allow the inspection of solar panels to be conducted accurately and with minimal time consumed. These services thus contribute to more efficient facility operation through time and labor savings realized by eliminating the need to inspect panels in-person, which requires walking across sometimes expansive installation sites.



For Large-Scale Solar Power Installations





## Long-Term Care Services

Through HCM Corporation, ALSOK Care & Support Co., Ltd., and Wisnet Co., Ltd., ALSOK's long-term care services operations provide total support with visitation-based, in-home, and facility-based care services.

### Business Overview and Performance in the Year under Review

Introduction Video  
(in Japanese only)

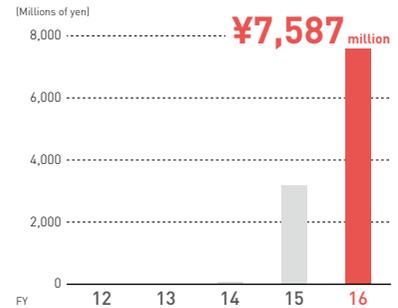


ALSOK entered into the long-term care business in 2012 and was successful in acquiring three companies (HCM Corporation, ALSOK Care & Support Co., Ltd., and Wisnet Co., Ltd.) as of May 2016. With these three companies, we have enhanced our ability to cater to customers' long-term care needs, and currently serve approximately 12,000 people through these services\*. Our services include operating fee-based, long-term care facilities, group homes, and day services; providing visit-based care services; and offering rentals of welfare items.

In the year under review, HCM Corporation and ALSOK Care & Support, which were consolidated in the fiscal year ended March 31, 2015, contributed to improved performance.

\* As of September 30, 2016

#### Net Sales



## Other Services

Other services offered by ALSOK include MAMOLOOK, a multifunctional mobile security terminal; information security services, which protect against cyberattacks and information leakage; and ALSOK DENPO, a telegraph service.



### Business Overview and Performance in the Year under Review

Among ALSOK's other services are MAMOLOOK, a multifunctional mobile security terminal that offers features for protecting the members of one's precious family. We also provide information security-related products, such as the Internet Monitoring Service, which monitors the Internet to detect posts with the potential to damage clients' reputations; ALSOK Safety Confirmation Service, a crisis management solution; and ALSOK DENPO, a telegraph service.

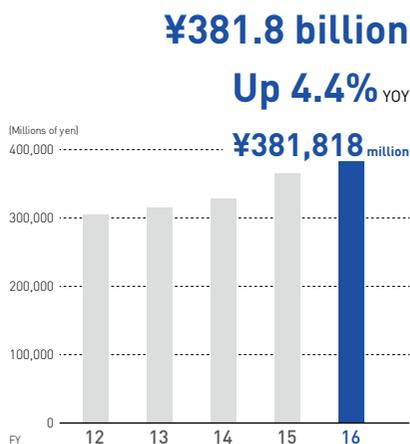
In the year under review, orders for ALSOK Safety Confirmation Service were firm.

#### Net Sales

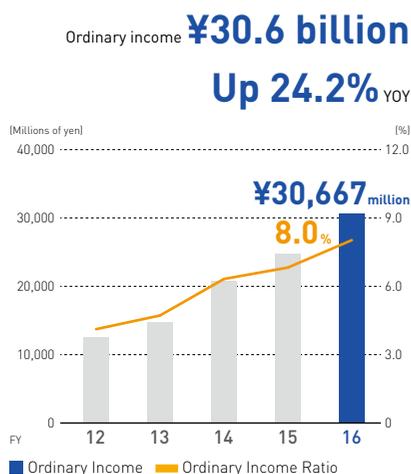


# Financial and Non-Financial Highlights

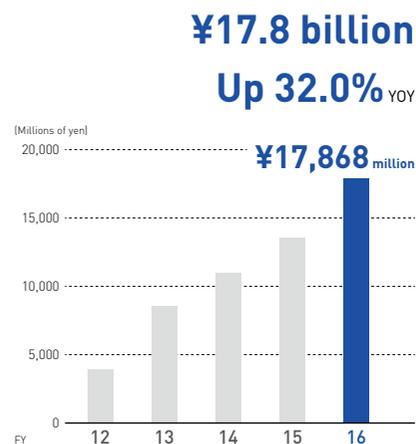
## Net Sales



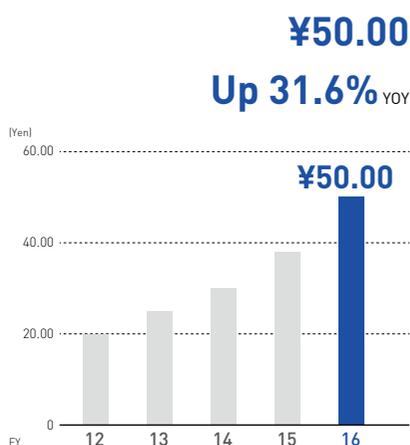
## Ordinary Income / Ordinary Income Margin



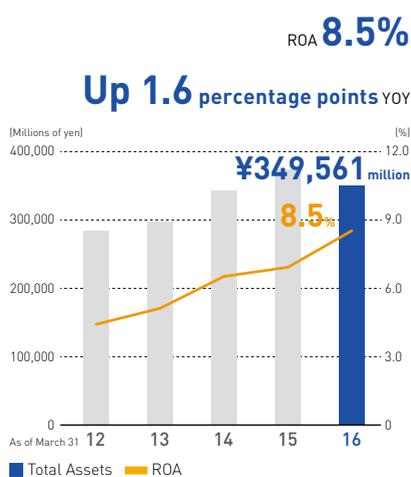
## Profit Attributable to Owners of Parent



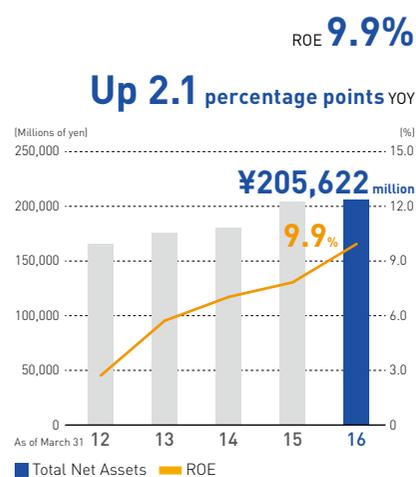
## Dividends per Share



## Total Assets / ROA



## Total Net Assets / ROE

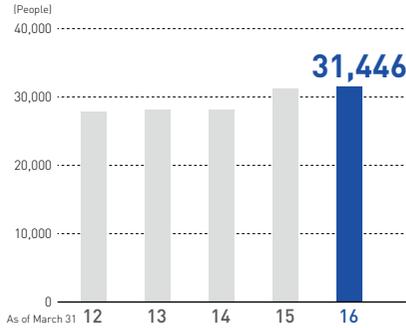


	Millions of yen		
Fiscal year	2014	2015	2016
<b>Fiscal year</b>			
Net sales	328,209	365,749	381,818
Ordinary income	20,745	24,700	30,667
Profit attributable to owners of parent	10,955	13,534	17,868
Capital expenditures	19,617	13,627	14,875
Depreciation and amortization	9,198	11,331	12,109
<b>At the end of fiscal year</b>			
Total assets	342,495	373,863	349,561
Total net assets	180,205	204,363	205,622

Fiscal year	2014	2015	2016
<b>Per share (Yen)</b>			
Profit attributable to owners of parent	108.99	134.65	177.77
Net assets	1,574.74	1,800.15	1,805.09
Dividends	30.00	38.00	50.00
<b>Ratios (%)</b>			
Ordinary income margin	6.3	6.8	8.0
Return on assets (ROA)	6.5	6.9	8.5
Return on equity (ROE)	7.0	7.8	9.9

### Number of Employees

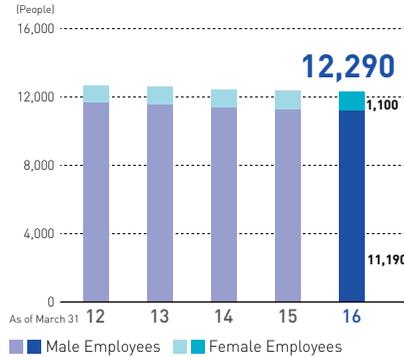
**31,446**  
Up 0.7% YOY



### Number of Employees by Gender

(Non-Consolidated)

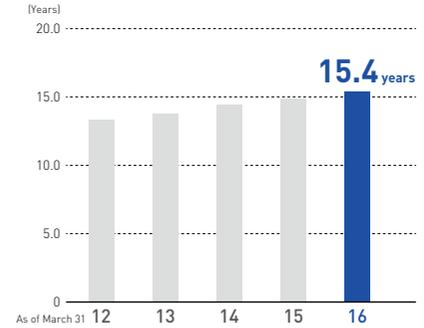
Number of female employees **1,100**  
Up 2.2% YOY



### Average Number of Years of Continuous Service

(Non-Consolidated)

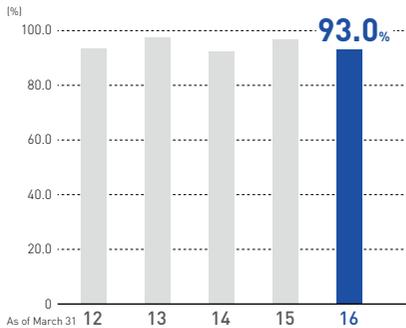
**15.4 years**  
Up 0.5% YOY



### Percentage of Employees Returning to Work after Childcare Leave

(Non-Consolidated, Total for Male and Female Employees)

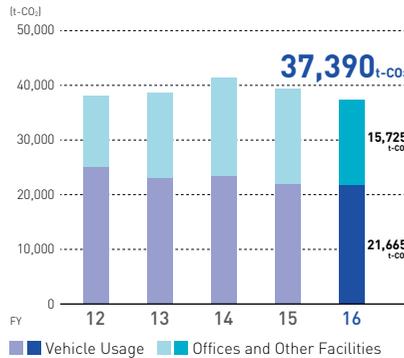
**93.0%**  
Up 3.6 percentage point YOY



### CO<sub>2</sub> Emissions Volume

(Non-Consolidated)

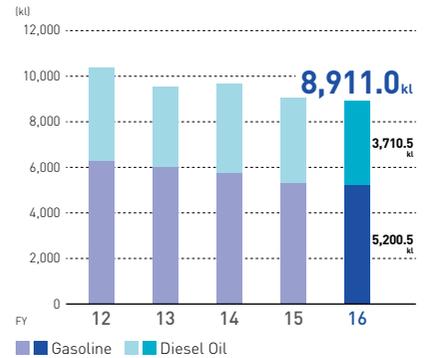
**37,390 t-CO<sub>2</sub>**  
Down 4.6% YOY



### Fuel Usage by Vehicles

(Non-Consolidated)

**8,911.0 kl**  
Down 1.3% YOY



### Percentage of Administrative Positions Filled by Women

(Non-Consolidated)

(As of April 1, 2016)

**3.6%**



### Number of Children Participating in ALSOK ANSHIN KYOSHITSU Classes

(As of March 31, 2016)

Aggregate total of  
**1,235,803**



### Number of Individuals Completing First-Aid Training

(As of March 31, 2016)

Total of **16,755**



## Message from the Chairman



***Arigato no kokoro and bushi no seishin*—We will continue to give form to ALSOK’s unchanging philosophy as a principled company with talented human resources.**

**Atsushi Murai**

Chairman and Representative Director  
Chief Executive Officer (CEO)

### New Role of the ALSOK Group

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In the fiscal year ended March 31, 2016, the ALSOK Group’s operating environment continued to experience a modest economic recovery trend. However, conditions in certain sectors proved weak due to sluggish growth in consumer spending and stagnancy in terms of capital investment. In regard to public safety in Japan, the number of reported crimes continued to decrease. Regardless, the incessant media coverage of crimes targeting children and senior citizens and acts of international terrorism contributed to a situation in which this decrease did not translate to an improvement in perceived safety.

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 in such areas as newly constructed buildings and office spaces. Meanwhile, labor shortfalls arising from the declining birthrate and aging of the population have led to diversification in the types of outsourcing needs requested of security services companies, which now include operation of financial institutions’ ATMs and monitoring of public infrastructure and facilities. Furthermore, the need for security services to watch over individuals, such as senior citizens and children, is also on the rise. The ALSOK Group thus recognizes that it is now expected to leverage its nationwide network consisting of roughly 30,000 employees to provide various services that address these needs.

In the year under review, acting based on its policy of “responding accurately to customers’ various risks and outsourcing needs,” the ALSOK Group continued working to strengthen and expand its mainstay security services operations while also growing businesses in peripheral fields that are highly compatible with security services, such as long-term care and building maintenance. At the same time, we pursued cost reductions through improved operational efficiency in security services operations realized by having human resources handle a broader range of functions. Through these efforts, we succeeded in achieving higher sales and income for the sixth consecutive year.

### The ALSOK Group’s Vision and Management Philosophy

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Thanks to the support of all of its stakeholders, ALSOK was able to celebrate the 50th anniversary of its founding in 2015. I view this accomplishment as a testament of the bonds of trust we have forged with customers as we humbly advanced our business, always staying true to the principles of *arigato no kokoro*, an ever-present feeling of gratefulness and gratitude, and *bushi no seishin*, a strong and noble samurai spirit, in our ongoing quest to protect the safety and security of society.

We seek to continue moving forward over the next 50 years. In pursuing this goal, we will further the expansion and evolution of

our security services operations, an area in which we have steadily built our track record by advancing these operations as the core of our business since the Company's founding. At the same time, we will forge ahead with the development of new businesses and new services with the potential to support our business, such as long-term care services and general property management and fire protection services, both areas from which we anticipate synergies. 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. Outside of Japan, the focus of our business has previously been on providing security solutions to support the overseas expansion efforts of Japanese companies. Looking ahead, however, we will leverage the expertise we have cultivated both inside and outside of Japan to provide high-quality, "Japanese-style" security services to local overseas companies and other new customers.

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 shortages and market shrinkage. Faced with this realization, the ALSOK Group remains committed to improving 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 the promotion of labor savings 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 over the next decade. This goal entails the ongoing development of the Company, and therefore will not be accomplished simply by expanding our business scope and earnings. Furthermore, over the next 50 years there will be no change to our basic policy of functioning as a form of social infrastructure that supports safety and security. Progressing toward the future, we will work to become an even more highly principled company, always guided by our unchanging management philosophy, as we strive to further improve ALSOK's corporate value.

## Strengths of the ALSOK Group's Human Resources

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If ALSOK is to continue developing, it is crucial for our employees to be able to feel motivated in their work and always be capable of exercising their talents. For this reason, it is important for management to possess the appropriate mind-set and stance toward managing. At the same time, ALSOK must be a highly principled company with a just, upright, and open corporate culture. If we can maintain these characteristics, the daily efforts of our employees to learn and succeed will fuel the rapid development of the Company. It is in this manner that we aim to make ALSOK into a company that is truly of the highest caliber.

The ALSOK Group currently offers security services 24 hours a day, 365 days a year with a staff of approximately 30,000 located across Japan. These faithful employees, who possess the exceptional skills necessary to continue giving form to our management philosophy, 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, which is described in our management philosophy, management policies, and code of conduct. We have thus established a training system that ensures we put this spirit into practice in all aspects of our business operations. We also frequently use the Company's internal newsletter and the messages from management distributed in the internal email magazine as venues for reiterating the importance of this spirit. In this way, we are exerting daily effort to guarantee that all of our employees and the Company itself are highly principled. 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.

We provide fine-tuned, long-term development programs and ongoing follow-up support that encompass hiring, post-hiring training, and career development. The aim of these programs is to foster human resources capable of working in and forming the core of organizations in a wide range of the Company's business areas—from strategic businesses related to new businesses, overseas businesses, and mergers and acquisitions (M&As) through to sales and frontline operations. Furthermore, ALSOK was named on Tokyo 2020 official Partner (Security Services and Planning) in October 2015. Aware of the responsibility this position entails, we have enhanced our human resources development programs from the perspective of the global market. This involves not only education on language proficiency and cultural understanding but also on manners.

As the role of the ALSOK Group grows more expansive, the range of fields in which our female employees can exercise their skills is also widening.

Looking ahead, we will continue to develop a workplace environment in which each of our talented human resources can fully exert their individuality and skills. By pushing forward with efforts on this front, we aim to ensure that we can always function as a form of social infrastructure that supports safety and security and therefore keep giving form to the basic spirit that we have held since our founding, which is our desire to contribute to a safer Japan.

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

## Conversation with the President



**By helping protect the safety and security of society,  
we will improve ALSOK's corporate value.**

**Yukiyasu Aoyama**

President and Representative Director  
Chief Operating Officer (COO)



**Takayuki Yamamoto**

Executive Officer  
Head of Business Development Department  
Development Bank of Japan Inc.

**In May 2015, ALSOK received first prize in the 1st Social Value and Capital Formation M&A Awards sponsored by Development Bank of Japan Inc. This award was presented to the Company out of recognition of the superior potential for social value and capital to be generated through ALSOK's acquisition of HCM Corporation. We invited Takayuki Yamamoto, executive officer and head of the Business Development Department at Development Bank of Japan, to discuss the type of social value and capital that ALSOK creates with Company president Yukiyasu Aoyama.**

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**Takayuki Yamamoto**

Executive Officer, Head of Business Development Department  
Development Bank of Japan Inc.

Mr. Yamamoto joined the Japan Development Bank (currently Development Bank of Japan Inc.) in 1983. There he served as general manager of the International Strategy & Coordination Department and general manager of the Tokai Branch before being appointed to his current position in 2014. He now oversees domestic and overseas M&A advisory services.

He previously graduated from the Faculty of Law at the University of Tokyo and acquired a Master of Laws at Georgetown University in the United States.

A portrait of Takayuki Yamamoto, an elderly man with glasses, wearing a dark suit and tie, sitting in a chair. Behind him is a window with a view of a building and a vase of white flowers.

**Yamamoto:** ALSOK acquired HCM Corporation in 2015. As this acquisition was determined to contribute to improved social value, Development Bank of Japan chose to present ALSOK with first prize in the 1st Social Value and Capital Formation M&A Awards. What sort of challenges did you face in acquiring this business and in working to expand into a new field?

**Aoyama:** We have been expanding our business scope since 2014 with the acquisition of companies operating long-term care businesses, namely HCM Corporation, ALSOK Care & Support Co., Ltd., and Wisnet Co., Ltd. These three companies continue to be led by the individuals that served as their respective presidents prior to the acquisitions. I also attend their monthly board of directors' meetings as a director of each company. Furthermore, we provide a forum for the presidents of each company to gather once a month to talk about common issues they face, such as those related to costs, and their future business development plans. Currently, the long-term care business remains the center of conversations. In the future, however, I hope that we will be able to move on to discuss the creation of hybrid businesses that combine long-term care services with security services. HCM has numerous fee-based, long-term care facilities and in-home care service bases in the Tokyo, Nagoya, Osaka, and Tohoku regions. Meanwhile, Wisnet operates approximately 40 fee-based, long-term care facilities and around 80 group homes. We therefore plan to begin by expanding the breadth of these operations. At the same time, we will gradually branch out into new fields, including those related to security services, long-term care services, and healthcare.

**Yamamoto:** ALSOK's performance is most impressive, with six straight years of increased sales and income and an ordinary income margin of 8%. What challenges have you faced in achieving this performance and what are your plans for future business development?

**Aoyama:** I think we have our customers to thank for our strong performance, and I am most appreciative of their support. Through M&A activities, we were able to incorporate Japan Facilio Co., Ltd., ALSOK Souei Co., Ltd., and Nippon Building Maintenance Co., Ltd., into the Group. As a result, we are now capable of providing services that offer a full line of support including security, equipment, and installation. These new inclusions to the Group have also brought great benefits in allowing us to approach new customers as the Group grows. In recent years, there has been a trend toward companies opting to focus as much as possible on their core business, choosing to outsource security and other functions to service providers that can deliver these functions with high quality. Event security is one example of such functions that are outsourced to ALSOK. We also receive outsourcing work from banks and other financial institutions. While we were previously mainly contracted to manage ATMs located outside of bank premises, clients are now asking us to even manage ATMs installed inside of banks. In the future, we also plan to develop a comprehensive cash management business that caters to demand from retailers for our Cash Deposit and Dispenser Machine On-line System, point of sales (POS) cash registers, and other such systems. I suspect that such a business would be able to provide safety and security at an affordable price while contributing to the smoother circulation of cash within Japan. In addition, we have begun providing new services that target inbound tourists to Japan, such as supplying foreign currency exchange machines.

## Conversation with the President

**Yamamoto:** The outlook for the global economy is unclear given the sluggish conditions in the economies of China and other emerging countries as well as developments such as the United Kingdom's decision to withdraw from the European Union and the presidential election in the United States. This situation has made it even more important to keep in step with the times. How is ALSOK approaching this situation?

**Aoyama:** Economic and political conditions are undergoing great change both inside and outside of Japan, necessitating that we prepare solutions to respond to various risks. For example, around 2025 Japan's post-World War II baby boom generation will be roughly 75 years of age, resulting in the ongoing growth of the long-term care market. Meanwhile, the unsustainability of government finances will create numerous opportunities for private-sector companies to step in to replace public-sector organizations. At ALSOK, we hope to provide a unique brand of long-term care services that invigorate users and help them live healthily and happily for as long as possible. We expect that the population decline will lead to labor shortages in both the security services and the long-term care services fields. Even if labor is scarce, we must avoid situations in which services cannot be procured to address people's needs for safety and security. Preventing such a situation will require us to make the most of our limited personnel or, from a broader meaning, require us to further utilize AI, big data, IoT, robots, and other technologies as well as improve the capabilities of the security guards that use these technologies.

**Yamamoto:** Some speak of the concept of creating shared value or, in other words, finding a way to create social value through a company's business. Do you see this concept as being highly compatible with ALSOK's business?

**Aoyama:** As a security services company, we play a complementary role in protecting people's safety and security. For example, should a person fall ill, they will, in the end, receive treatment from a hospital or doctor. However, there are actually a lot of needs to be addressed before this treatment can be received. To help cater to these needs, ALSOK takes advantage of its nationwide network, which allows a security guard to rush to the scene should a report of an issue be received in some form, whether that be via telephone, camera, or sensor signal. In managing the facilities of buildings and offices, meanwhile, stationed security guards are able to provide first-response services by inspecting equipment and our first-response network can also be utilized to quickly dispatch security guards to address equipment malfunctions. I believe that this business model is very closely linked to the concept of creating shared value.

**Yamamoto:** ALSOK will celebrate the 55th anniversary of its founding in the year of Olympic and Paralympic Games Tokyo 2020. What are your thoughts with regard to the massive undertaking that will be managing security for this major event?

**Aoyama:** ALSOK's founder Jun Murai played a central role in running Olympic Games Tokyo 1964, and it is now ALSOK's turn to contribute to the Olympics in a security capacity. The entirety of Japan's security services industry is united in their commitment to ensuring the security of this event, and I hope that we will be able to guarantee its success. Furthermore, given Japan's reputation as the safest country in the world, we aim to deliver services that will make the attendees feel that Japan's security services are truly a cut above the rest. In order to accomplish this goal, we will need to further develop our ALSOK Zone Security Management service, which guards against terrorist attacks and other crimes by utilizing face-recognition systems to recognize changes in facial expressions and by picking up temperature changes and unusual smells in areas to detect suspicious activity before a crime is committed. Another task to be addressed is education. We will thus strive to create frameworks for developing highly capable human resources. These frameworks will not only be created and used by ALSOK but will also be crafted together with affiliates, business partners, and industry organizations. Furthermore, our relationships with relevant institutions will also be important. Olympic Games Tokyo 2020 will span a period of approximately two months, necessitating that we act effectively while pursuing coordination within the Company and with external organizations, such as the Tokyo Organising Committee of the Olympic and Paralympic Games, government agencies, the



police, fire departments, and managers of event sites. As we advance these efforts, we will develop appropriate combinations of education programs and software to ensure that attendees are impressed with the impeccable quality of Japanese security services.

**Yamamoto:** If you are able to develop such skills and expertise, do you agree that it would be possible to incorporate these capacities into a business model that can be exported overseas?

**Aoyama:** Yes, and while there may be limits with regard to directly applicable labor, I certainly feel that it should be possible to export the business model portion of our operations. I would like ALSOK to become able to make security proposals when large events take place overseas. We are also thinking of ways we can help address aging infrastructure.

**Yamamoto:** I look forward to seeing those plans become a reality. In Japan as well, there is a need to provide security and long-term care for senior citizens, which represent a large portion of the population in certain regions, and to watch over these individuals. The need to inspect facilities in relation to aged infrastructure is also present. In addition, there is a need to support reconstruction after natural disasters, such as the 2016 Kumamoto earthquake. Do you feel that such needs will increase the range of fields in which ALSOK can contribute?

**Aoyama:** I believe that this will be the case. Measures for addressing aging government and private infrastructure are at the core of national resilience improvement plans. At the same time, the role of security guards is not limited to preventing crimes. They can also be dispatched to perform repairs when machinery malfunctions and otherwise support the public sphere by helping resolve aging infrastructure issues. I first hope that we will be able to help ensure the success of Olympic Games Tokyo 2020 and that our employees will learn from this experience, growing into the type of human resources that can think, plan, and propose the next step on their own. However, this does not free us from the need to think beyond 2020. A recession occurred in the year following Olympic Games Tokyo 1964. Looking past 2020, I feel that it will be important for ALSOK to be deeply rooted in the regions it serves. For this reason, we are currently examining means of developing frameworks for contributing to regional development.

**Yamamoto:** I suspect that reputation is incredibly important for a company like ALSOK. What daily measures are you implementing with regard to corporate governance, compliance, and other such concerns?



**Aoyama:** Even if a company adopts the principles of Japan's Corporate Governance Code, I feel that these efforts will be pointless if they are merely formulaic and the company does not put its heart into them. In ALSOK's case, I believe that if we maintain our emphasis on customers and act sincerely while exercising the *arigato no kokoro* and *bushi no seishin* principles described in our management philosophy, no major problems will occur. We have created a system to report customer complaints to management in real-time in order to check operations from the standpoint of customers and based on outside perspectives. We are also simulating communication between our two outside directors and three outside Audit & Supervisory Board Members and management. Furthermore, we value an open corporate culture and constant discipline, and members of management regularly visit branches and Group companies throughout Japan to talk with employees and confirm the workplace environment. In this manner, ALSOK is going beyond simply constructing systems, working on a daily basis to truly put its heart into its internal controls.

**Yamamoto:** It is my hope that ALSOK will continue to proliferate the *arigato no kokoro* and *bushi no seishin* principles described in its management philosophy, which is truly the DNA of the Company, while growing and succeeding by addressing the ever more demanding needs of society.

**Aoyama:** Thank you very much for giving us your time today. I hope that you will continue to offer ALSOK guidance and advice in the future.

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

# Long-Term Vision and Medium-Term Management Plan Targeting Ongoing Improvements in Corporate Value

ALSOK will advance initiatives based on four material corporate social responsibility (CSR) themes for realizing ongoing improvements in corporate value as it strives to be a company that supports people's safety, security, and comfortable living while protecting facilities, people, and properties.



Growth Living Up to Stakeholder Expectations



## Medium-Term Management Plan

# Grand Design 2017

**Material CSR Theme 1 Consumer**

**Providing Products and Services that Help Resolve Social Issues**

ALSOK is providing a multifaceted lineup of products and services that help resolve the issues faced by customers and society. This task is accomplished by leveraging its security services expertise based on an accurate understanding of ever-changing social trends, such as aging populations, declining birthrates, and the tendency toward nuclear families. → **P.25**

**Material CSR Theme 2 Labour Practice**

**Cultivating Human Resources and Building a Comfortable Workplace Environment**

The Company strives to help employees realize their full potential. To this end, it is enhancing training systems, actively supporting career development, promoting diversity, and otherwise building a comfortable workplace environment and cultivating the human resources that underpin its corporate activities. → **P.27**

**Material CSR Theme 3 Community**

**Contributing to Local Communities through Active Communication**

To give form to *arigato no kokoro* (a feeling of gratefulness and gratitude)—part of ALSOK's fundamental spirit—the Company acts as a good corporate citizen, diligently working to contribute to the resolution of the various issues faced by the communities it serves. → **P.29**

**Material CSR Theme 4 Operating Practice**

**Providing Trustworthy Security Services**

ALSOK is expected to maintain high levels of social trust while acting in a highly ethical and disciplined manner. We therefore position compliance and business continuity as management issues of extreme importance, and are advancing various initiatives in relation to these matters. → **P.31**

**Corporate Governance** → **P.35**

# Stepping forward

## Grand Design 2017 Medium-Term Management Plan

### Basic Policies of Grand Design 2017

#### Raise consolidated net sales

- 1 Expansion of existing business by raising productivity of sales representatives
- 2 Expansion of net sales by maximizing intra-Group synergies
- 3 Provision of new products and services that meet customer needs

#### Build high-profit constitution

- 1 Improvement of per person labor productivity
- 2 Utilization of human resources
- 3 Groupwide cost reductions, including managerial side

### Strategies of Grand Design 2017

To the next 50 years ~Developing through cooperation within the ALSOK Group~

#### Market-specific strategies

#### Response to various risks and outsourcing needs of customers

Business Corporations

Financial Institutions

Public Institutions

Individuals

Overseas

#### Initiatives supporting market-specific strategies

- Integrated security services responding to diversifying risks and needs
- Construction of facility management business structure
- Development of new products and services
- Expansion of business scope
- Stable securement of human resources and cultivation of human resources having competitive strength

### Creation of Social Value through CSR Activities

The ALSOK Group advances CSR activities in accordance with its management philosophy to respond to changing social needs and to help resolve the issues society faces.

In the fiscal year ended March 31, 2014, we defined four material CSR themes with the aim of fulfilling our social responsibilities and sharing our social value with shareholders and other stakeholders. These themes are: (1) providing products and services that help resolve social issues; (2) cultivating human resources and building a comfortable workplace environment; (3) contributing to local communities through active communication; and (4) providing trustworthy security services. Going forward, we will step up initiatives in each of these areas in the pursuit of ongoing improvements in corporate value.

# OUR STEPS

## Initiatives for Accomplishing Goals of Grand Design 2017 Medium-Term Management Plan

### Response to Growing Outsourcing Needs

Processes traditionally handled within various organizations are increasingly being outsourced to private companies. Established trends contributing to this situation include companies and financial institutions choosing to concentrate on their core business amidst the labor scarcity resulting from the declining birthrate and aging population as well as an increase in public institutions contracting infrastructure and facility monitoring functions to private companies. In light of this situation, ALSOK is endeavoring to expand its business by providing accurate responses to the various risks and outsourcing needs to be addressed by customers in different markets. This expansion is being pursued while fully leveraging the Group's nationwide network and collaborating with various industries that are highly compatible with security services.

Our policy for addressing the management issue of labor shortages is to improve operational quality and efficiency by promoting multitasking and utilizing cutting-edge technologies like ICT, IoT, and robots.

At the same time, we are pushing forward with Groupwide cost structure reforms that include utilizing ICT and improving operational efficiency to boost labor productivity and having employees handle a broader range of functions to more effectively use human resources. We thereby aim to reinforce earnings foundations. Current cost reduction initiatives include having security guards and technical staff perform a wider range of functions and consolidating Guard Centers.



\*1. Public-private partnership: A new form of public-private collaboration in which public- and private-sector entities partner in operating a business

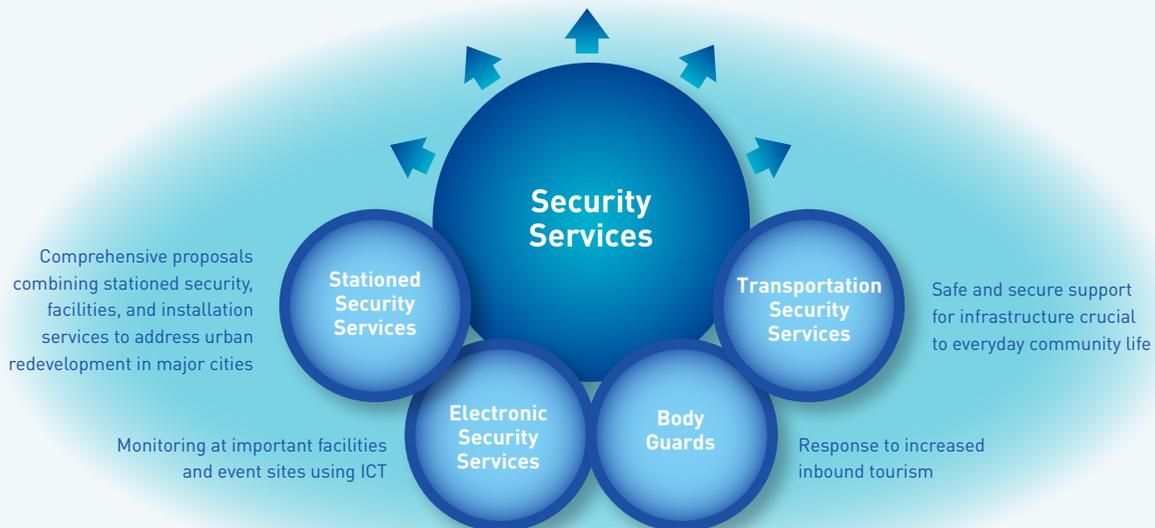
\*2. Private finance initiative: A scheme for utilizing private-sector management know-how and funds to construct, maintain, manage, and operate public facilities

## Measures for Accurately Addressing Diversifying Security Needs

Looking ahead, it can be expected that there will be an increase in demand for large-scale, temporary security services operations with a global element, such as for the upcoming Olympic and Paralympic Games Tokyo 2020 to be held in Tokyo. At the same time, the rapid drive to build event stadiums for Olympic Games Tokyo 2020 and otherwise move ahead with the redevelopment of central Tokyo has stimulated a surge in urban redevelopment on a nationwide scale, generating new demand. ALSOK will seek to remain receptive to the needs of the markets these trends affect in order to cater to these needs through such means as comprehensive proposals that combine stationed security, facilities, and installation services. Furthermore, we will strive to expand our business and improve corporate value by providing accurate responses to diversifying security needs, such as those related to inbound tourists, bridge inspection and other social infrastructure support, and disaster relief.

- International conferences and events
- Urban redevelopment in major cities
- Inbound tourism, social infrastructure support, and disaster relief

### Diversification of service needs in conjunction with rising social demand for safety and security



## OUR STEPS

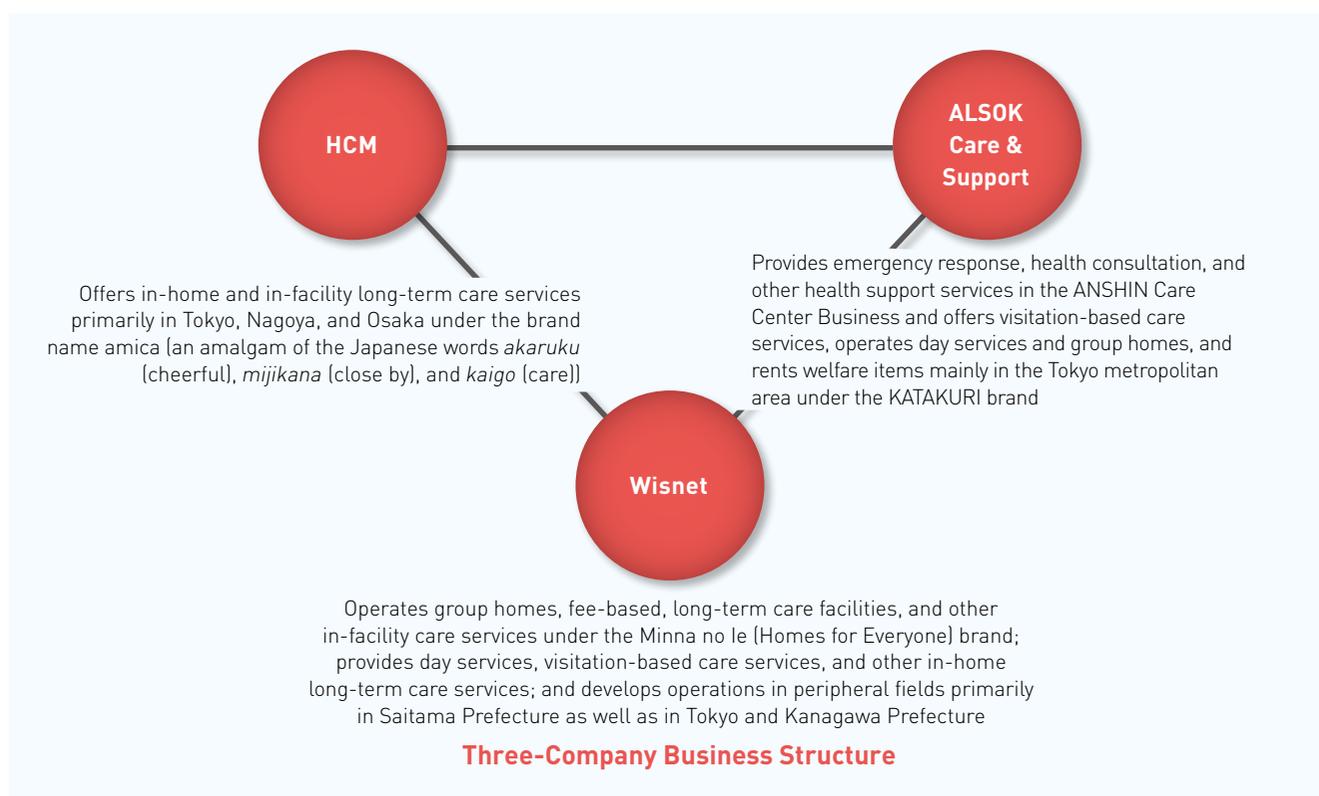
### Initiatives for Accomplishing Goals of Grand Design 2017 Medium-Term Management Plan

#### Reinforcement of Long-Term Care Business Structure

The Ministry of Health, Labour and Welfare estimates that the population of individuals over the age of 65 will continue to increase and that this demographic will represent approximately 30% of the total population by 2025 and 40% of the population by 2055. For this reason, it can be expected that there will be a serious lack of facilities and staff for providing long-term care to senior citizens in the future.

Looking to address this social issue, ALSOK has been developing a long-term care business centered on visitation-based and in-home care support services by welcoming new subsidiaries HCM Corporation and ALSOK Care & Support Co., Ltd., into the Group through M&A activities conducted in 2014 and 2015, respectively. Furthermore, Wisnet Co., Ltd., a company that primarily operates group homes, fee-based, long-term care facilities, and other in-facility care services, joined the Group in May 2016. Accordingly, our long-term care business structure now enables us to provide a complete line of care services including in-facility, visitation-based, and in-house long-term care services.

Furthermore, we established the Long-term Care Business Department as a dedicated management organization to oversee efforts to expand ALSOK's long-term care business from a sales perspective and control quality from an operational perspective. Going forward, ALSOK will rapidly grow its long-term care business into a new pillar supporting its operations so that it may respond to social needs quicker and more accurately.



amica Villa Inage fee-based, long-term care facility operated by HCM



ALSOK Care & Support employee picking up senior citizen for day service



Day service provided by Wisnet

## Enhancement of Services for Senior Citizens

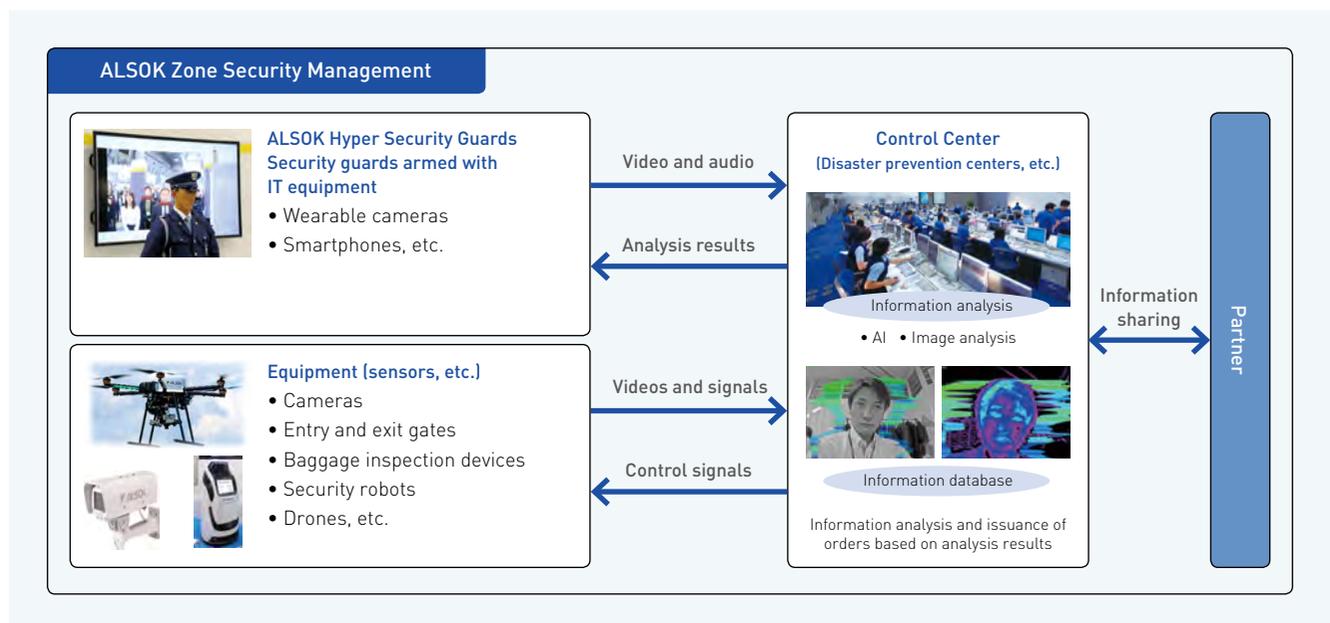
The ALSOK Group is working to enhance its lineup of services for senior citizens that are unique due to the fact that they are being provided by a security services company. Adding to existing offering HOME ALSOK MIMAMORI SUPPORT, a popular emergency report service, in June 2015 we launched MAMOLOOK, a mobile security terminal that combines the GPS functionality of mobile phones with ALSOK's unique crime prevention system. In addition, we have been conducting verification tests of community-encompassing services for watching over senior citizens comprised of positioning systems that utilize communications with special MIMAMORI Tags and smartphones. Such verification tests were commenced in Sanuki City of Kagawa Prefecture in April 2016 and in Kitakyushu City of Fukuoka Prefecture in August of the same year. These are just some examples of ALSOK's efforts to enhance its lineup of services for the aging society.

Furthermore, as ALSOK has formed a business alliance with Sompo Holdings, Inc., we are using this alliance as an opportunity to examine the possibility of developing a joint business. Through this business, we would strive to create new services that deliver safety, security, and healthier living.



## New Form for Security Services Looking Beyond 2020

ALSOK Zone Security Management is a service that combines ALSOK security guards with ICT. This service is being promoted as a solution to the need to protect urban spaces, such as office buildings and commercial facilities, large-scale event sites, and other areas in which large numbers of people gather by controlling the spread of damages should a crime or accident occur in such areas and by detecting crimes to prevent their occurrence. ALSOK is collaborating with NEC Corporation, a company boasting face-recognition technologies with impeccable levels of accuracy, advanced AI technologies, and other cutting-edge technologies, to further build upon this service. By fusing ALSOK's expertise in providing security services through the efforts of humans with AI, big data, IoT, robots, and other state-of-the-art technologies, we aim to develop predictive and preventative functions to complement current damage control functions. We believe that such innovation will take the role of security services to a new stage.



# Initiatives for Realizing Ongoing Improvement in Corporate Value



Material CSR Theme **1**

## CONSUMER: Providing Products and Services that Help Resolve Social Issues

ALSOK is providing a multifaceted lineup of products and services that help resolve the issues faced by customers and society. This task is accomplished by leveraging its security services expertise based on an accurate understanding of ever-changing social trends, such as aging populations, declining birthrates, and the tendency toward nuclear families.

### Provision of Products and Services for Diversifying Lifestyles

#### Home Security Basic—Watching Over Homes and Families 24 Hours a Day, 365 Days a Year

Home Security Basic is a state-of-the-art security system that protects customer homes 24 hours a day, 365 days a year. This system responds to a diverse range of customer needs with a lineup of security methods that can be selected based on customer lifestyle. The control terminals used for this system feature a simple design, can be accessed with a password or contactless IC cards, and utilize LED lights with easy-to-distinguish colors for individuals that have a hard time seeing colors. These innovations make this system easy for anyone to use, which won it a spot in Good Design Award 2015.



#### HOME ALSOK LADY'S SUPPORT—Protecting Women from Stalking

Stalking of women is a serious social issue, especially given the fact that it can escalate into even more threatening crimes. ALSOK aims to address this issue by providing HOME ALSOK LADY'S SUPPORT, a service designed to protect women from stalking. Offerings under the HOME ALSOK LADY'S SUPPORT line include the Concierge Service, which gives users access to consulting for enhancing security measures 24 hours a day; Mobile Security, which watches over users with constant vigil via a dedicated terminal; and Security Guard Dispatch, which allows security guards to be sent to a users' location when they are away from home based on GPS data. These various services respond to the diverse security needs of women to provide them with safety and security.

### New Products and Services for the Aging Society

#### HOME ALSOK MIMAMORI SUPPORT—Watching Over Elderly Family Members Living Separately

HOME ALSOK MIMAMORI SUPPORT is a service that entails installing control terminals with emergency call buttons that can be pushed to have a security guard rush to the scene at any time of day. These guards will confirm the status of the individual in question and contact family members and also, in the case of an emergency, call paramedics or perform CPR as necessary. In addition, the control terminal has a consultation button that can be pushed to consult our staff about one's health condition, receive information about medical institutions, or ask other questions. We provide additional support for watching over family members living separately through a robust lineup of options. One such option is the Life Pattern Monitoring Service, which tracks user life patterns and automatically informs ALSOK of abnormalities so that a security guard can be sent to investigate the situation.

#### ALSOK's Vision for Long-Term Care Services

ALSOK has been endeavoring to expand the application of its security services expertise to watching over senior citizens in order to grow related businesses. Our participation in the long-term care services business is an extension of these efforts. By fusing security services and long-term care services, we are able to offer services that deliver even higher degrees of security.



Employee providing visitation-based care services

Society is currently faced with pressing issues regarding individuals on waiting lists for special-needs long-term care facilities as well as standard long-term care for senior citizens. ALSOK has been working to resolve the issues faced by the aging society. With a focus on areas that are compatible with security services, we have been developing our long-term care services business through M&A activities and evolving our traditional security services for protecting senior citizens in all areas of their lives in order to offer care services that encompass entire communities.

Housing Units Equipped with  
ALSOK Home Security Services

(As of March 31, 2016)

Approx. **920,000**

\* Includes contracts for individual households in housing complexes

Number of ALSOK Long-Term  
Care Services Bases

(As of September 30, 2016)

**391**



## Collaborative Services for Protecting Society's Safety and Security Together with Municipal Governments and Companies

### Multifaceted Support for Responding to Natural Disasters

Earthquakes, volcanic eruptions, and water damages from causes such as concentrated torrential downpours have recently been occurring in high frequencies, posing a very real threat to society. While it may be difficult to predict natural disasters, appropriate response measures can be taken to prevent the spread of disaster damages. ALSOK provides services such as its volcanic eruption countermeasure solutions, Underpass Monitoring Service, and Flood Prevention Act response solutions, working in collaboration with municipal governments and companies to protect the safety and security of society.



Drone filming volcano activity

### Community Support Offered through Collaboration with Municipal Governments

The population of Japan is aging to a degree not seen anywhere else in the world, a trend presenting many issues to be addressed by society. In light of this situation, the ALSOK Group has deployed services to watch over citizens and thereby address the issues faced by municipal governments throughout Japan, such as the lack of district welfare officers and trouble developing emergency reporting systems for responding to population aging. Furthermore, in April 2016 we commenced a verification test in Sanuki City of Kagawa Prefecture of community-encompassing services for watching over senior citizens comprised of positioning systems that utilize communications with special MIMAMORI Tags and smartphones. These services are meant to support the creation of community-developed networks for watching over citizens and are part of a greater initiative for supporting local communities.

### Municipal Governments with which Collaborative Emergency Reporting Systems Have Been Developed

(As of March 31, 2016)

**485**

## Products and Services Fusing Advanced Technologies and Security Expertise

### ALSOK Zone Security Management Supported by ALSOK Hyper Security Guards

ALSOK Zone Security Management is a service that combines security guards with ICT to deliver high-quality security services at optimal costs. This service is supported by ALSOK Hyper Security Guards, which are security guards armed with IT equipment, and the massive quantities of information accumulated at disaster prevention centers and other facilities. Security alarms, images, and audio received from the field are analyzed at disaster prevention centers, and the information retrieved is quickly relayed back to the highly durable smartphones and wearable cameras of security guards. This system ensures swift and appropriate responses, thereby helping to prevent the spread of damages should an incident occur.



ALSOK Hyper Security Guard armed with IT equipment

### Development of Robots for Improving Security and Operational Efficiency

ALSOK is a pioneer in the field of security robots. We commenced research and development on robots in 1982 with the aim of compensating for the lack of security guards projected to result from the declining birthrate and aging population while also helping to prevent security guards from becoming injured on the job. Today, our robot lineup features such offerings as REBORG®-X, a communications robot boasting enhanced security and customer service functions, as well as An9 Type-S, a robot with receptionist functions and reinforced security capabilities. These robots are active in shopping malls, megabank head branches, science museums, and other facilities.



REBORG-X robot on patrol

### Number of Highly Durable Smartphones Used by Security Guards

(As of March 31, 2016)

**Approx. 3,700**

## Initiatives for Realizing Ongoing Improvement in Corporate Value

Material CSR Theme

2

### LABOUR PRACTICE:

### Cultivating Human Resources and Building a Comfortable Workplace Environment

The Company strives to help employees realize their full potential. To this end, it is enhancing training systems, actively supporting career development, promoting diversity, and otherwise building a comfortable workplace environment and cultivating the human resources that underpin its corporate activities.

#### Characteristics of ALSOK's Human Resource Development Systems

##### Basic Approach to Human Resource Development

The ALSOK Group views employees as the most important resource underpinning its business activities. Reflecting this basic approach, we conduct various training programs that embody our management philosophy, which calls on us to "devote ourselves to protecting the safety and security of our customers and of society as a whole." Through these programs, we further understanding of the fundamental spirit described in our management philosophy, management policies, and code of conduct. We have thus established a training system to ensure that we put this spirit into practice in all aspects of our business operations. Since a television program featured the training we conduct for new employees, we have received numerous requests from schools and companies to perform training on their behalf. Catering to this demand, we have been holding ALSOK JUKU (ALSOK Workshops) training sessions since 2011 to help individuals outside of the ALSOK Group improve their basic skills as members of society.

##### Proactive Career Development Programs

To invigorate its organization and facilitate human resource development, ALSOK actively conducts personnel exchanges with entities outside of the Group by, for example, engaging in public-private personnel exchanges with central government agencies.

In addition, ALSOK has instituted a multifaceted internal open application system. Through this system, we seek to discover and develop human resources capable of working in and forming the core of not only our mainstay security services operations but also operations in various other fields, such as long-term care services. Furthermore, we recruit security solutions staff for providing security services to Japanese embassies and consulates overseas through open application and are otherwise working to cultivate employees that can function globally.

Going forward, we will continue to support the career development of employees to facilitate the growth of human resources throughout the entire Group.

#### Promotion of Diversity

##### Support for Contributions of Female Employees

ALSOK has developed a complete lineup of support systems for its female employees to ensure that these employees can work with peace of mind and realize their full potential. Leave can be taken during pregnancy and after childbirth, and we have reemployment systems for employees that have resigned for childbirth or parenting reasons. Out of recognition for these systems, the Company was certified by the Tokyo Labour Bureau of the Ministry of Health, Labour and Welfare as a company having supportive child-raising systems in 2010. The Company's rating was later upgraded in 2015. These strong support systems have helped empower female employees in a wide range of fields, including management as well as sales and technical divisions and even security services.



"Kurumin" mark identifying companies with supportive child-raising systems

##### Employment of Differently Abled Individuals and Non-Japanese Staff

In 2010, the ALSOK GROUP established ALSOK Business Support Co., Ltd., a specially certified subsidiary under the Act on Employment Promotion of Persons with Disabilities designed to support differently abled individuals in achieving independence and participating in society. We have since been promoting the employment of differently abled individuals. Employees at ALSOK Business Support undertake a wide range of duties, including creating business cards and envelopes for use by other ALSOK Group employees, managing contracts, sending out materials and seasonal magazines for customers, printing pamphlets, and creating novelty items. As of March 31, 2016, the ratio of differently abled employees at the Company was compliant with the legally mandated level.

The Group is also actively hiring non-Japanese people. We staff overseas subsidiaries with local hires and train future management candidates in Japan. In addition, we implement various training programs for non-Japanese employees, including programs for facilitating understanding and entrenching our fundamental spirit that entail distributing translated versions of ALSOK's management philosophy.

#### Aggregate Number of Security Solutions Staff Dispatched to Japanese Embassies and Consulates Overseas

(As of March 31, 2016)

Approx. **700**

#### Number of Female ALSOK Group Employees

(Number of effective employees including part-time workers, as of March 31, 2016)

**7,164**



## Occupational Health and Safety

### Management of Employee Health

Helping employees maintain sound physical and mental health and ensuring occupational health and safety is vital to a security services company. Accordingly, ALSOK has established occupational health and safety committees at all offices and formulated targets for preventing occupational accidents. We are also developing and instituting occupational health and safety education programs. Through these efforts, we seek to ensure healthy employees and safe workplaces. In addition, ALSOK is a partner to the Ministry of Health, Labour and Welfare's Action Plan for Companies Promoting Cancer Prevention program. We thus take steps to combat the risk of losing precious human resources to cancer, including incorporating more extensive tests into regular health examinations and enabling screenings for multiple cancer types to be conducted simultaneously. We also hold the Hustle Weight Loss Game limited-period event each year to support employees in managing their health by providing them with an enjoyable way to address lifestyle diseases.



Regular health examination conducted at ALSOK's Healthcare Management Office

### ALSOK Support Line

To promote good mental health, the Company has developed its Mental Health Maintenance Plan in accordance with the guidelines of the Ministry of Health, Labour and Welfare. We also respond to employee concerns flexibly through a help desk—the ALSOK Support Line—and have prepared a manual to help supervisors deal with employees suffering from poor mental health. In 2012, we expanded the scope of availability of the ALSOK Support Line to Group companies, and are constantly working to further enhance this system. Consultations through the ALSOK Support Line may be conducted face-to-face, over the telephone, through email, or via other means, making this support line a consultation venue that is easy to use for employees and their families.

## Communication with Employees

### Forums for Exchanges with Employees

ALSOK periodically provides opportunities for employees and senior managers to exchange opinions. In the fiscal year ended March 31, 2016, a discussion was held between female managers and President Aoyama, during which opinions were shared regarding means of supporting the contributions of female employees. Several ideas put forth were incorporated into diversity promotion efforts.



Discussion between President Aoyama and employees

Moreover, Employee Satisfaction Meetings are convened to provide further opportunities for frank exchanges of opinions between executives and other employees. A total of 118 such meetings took place during the year under review. Suggestions and input received from employees are incorporated into Company measures, with some described in the internal newsletter to further invigorate the organization.

### Employee Surveys—Gathering Employee Feedback

ALSOK has been conducting annual employee surveys since 1999 as a measure for better understanding the values of frontline employees and how they view their work so that this information can be incorporated into measures for building a more vibrant company. These surveys investigate matters that primarily include employee thoughts regarding management, work, and workplaces, as well as employee awareness of the Company's various internal systems. We use the findings of these surveys when formulating new measures, and survey results are relayed to employees through the internal newsletter.

In the year under review, responses were received from 81% of surveyed employees.

### Ratio of Full-Time and Part-Time Employees Over 40 Undergoing Cancer Screenings

(Fiscal year ended March 31, 2016)

99%

### Number of Employee Satisfaction Meetings Held

(Fiscal year ended March 31, 2016)

118

## Initiatives for Realizing Ongoing Improvement in Corporate Value



### COMMUNITY: Contributing to Local Communities through Active Communication

To give form to *arigato no kokoro* (a feeling of gratefulness and gratitude)—part of ALSOK’s fundamental spirit—the Company acts as a good corporate citizen, diligently working to contribute to the resolution of the various issues faced by the communities it serves.

#### Contributions to Safer and More Secure Communities

##### ALSOK ANSHIN KYOSHITSU

As one of its social contribution activities aimed at resolving the issues faced by local communities, the ALSOK Group dispatches its employees, who are safety professionals, to elementary schools throughout Japan to conduct the ALSOK ANSHIN KYOSHITSU program, which teaches children crime prevention and first-aid skills. We have been implementing this program for more than 11 years, over which 39,962 classes have been performed at 9,299 elementary schools and attended by upwards of 1,235,000 students.

This program has received the judges’ award of encouragement in the Ministry of Education, Culture, Sports, Science and Technology’s Awards for Companies Promoting Hands-on Activities for Youths for two consecutive years (the fiscal years ended March 31, 2015 and 2016).



ALSOK ANSHIN KYOSHITSU class

##### Crime Prevention, Disaster Prevention, and Educational Activities for Local Communities

ALSOK carries out volunteer crime prevention patrols using vehicles equipped with revolving blue lights. In addition, when on standby, employees patrol the routes used by elementary school students when commuting to and from school. Other crime prevention activities closely linked to local communities are also conducted on a Groupwide basis. Furthermore, we hold the HOTTO LIFE KOZA, a class for senior citizens to teach them how to avoid special-case scams and other crimes targeting their age group, as well as the ALSOK Women’s Crime Prevention Seminar. Amidst the frequent occurrence of crimes preying on senior citizens and women, these classes aim to ensure that such individuals can feel safety and security in their everyday lives.

Such efforts even extend overseas as we have, for example, provided AEDs to long-distance relay race events in Indonesia, demonstrating their usage and helping to promote the use of these life-saving devices.

#### Support for Sports Activities

##### Support for the Cultivation of Athletes and Promotion of Sports

Through sports, ALSOK strives to heighten team spirit among employees and thereby further the development of its business. The Company currently has a total of 10 sports clubs, including its prestigious judo and wrestling clubs as well as its weight lifting, track and field, and marksmanship clubs. These clubs have contributed to promoting sports in Japan by producing numerous Olympic athletes and world champions. In addition, employees from ALSOK’s various branches and Group companies offer instruction on judo, futsal, basketball, and track and field events to support the healthy development of children and local communities.



Internal ALSOK self-defense technique competition

##### ALSOK Employees at Olympic Games Rio 2016

Eight ALSOK employees represented Japan at Olympic Games Rio 2016. These athletes delivered a most impressive performance claiming a gold medal in judo and a gold and silver medal in wrestling. Female wrestler Kaori Icho\*, in particular, became a beacon of hope, inspiring and lending strength to the Japanese people by winning her fourth consecutive Olympic gold medal, an accomplishment that earned her the People’s Honour Award of Japan.



People’s Honour Award recipient Kaori Icho

\* Kaori Icho follows Saori Yoshida (employed by the Company until December 2015) as the second ALSOK athlete to receive the People’s Honour Award.

Number of ALSOK ANSHIN KYOSHITSU Classes Held  
(Fiscal year ended March 31, 2016)

3,024

Aggregate Number of Times ALSOK-Employed Athletes Have Participated in Olympic Games  
(As of August 31, 2016)

32

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



## Social Contribution Activities Based on ALSOK's Management Philosophy

### Ongoing Support to Regions Impacted by the Great East Japan Earthquake

Following the outbreak of the Great East Japan Earthquake on March 11, 2011, ALSOK Group employees immediately headed to the heavily impacted regions, where they proceeded to provide support for maintaining order along with other aid for the people of these regions. We are currently participating in the *Yui no Ba* (Forum of Unity)



ALSOK motorcycle displaying "Wata-shitachi wa Wasurenai" campaign sticker

reconstruction support initiative spearheaded by Japan's Reconstruction Agency, and are also holding crime prevention classes for individuals at public restoration housings assisting the reconstruction of regional industries and development of communities in other ways. In March 2016, ALSOK joined the "Watashitachi wa Wasurenai (We Will Never Forget)" campaign launched by the Japanese Red Cross Society to keep the Great East Japan Earthquake in memory. ALSOK displays the campaign's sticker on all of its motorcycles to help keep the memory alive.

### ALSOK ARIGATO UNDO

The ALSOK ARIGATO UNDO movement was launched by ALSOK's founder Jun Murai in 1967 as an embodiment of the *arigato no kokoro* principle, which is part of our fundamental spirit. The movement is funded by contributions and donations from employees and executives at the Company and Group companies that concur with its objectives. Through monetary and non-monetary donations, including those directed at disaster relief, this movement supports social welfare, disaster relief, and a wide range of other activities. In April 2016, this movement was entrusted to the newly established ALSOK ARIGATO UNDO Foundation, which was certified as a nonprofit organization in October of the same year.



Female students learning at a junior high school opened through support by Group Kilimanjaro Inc.

## Support for Education and Volunteer Activities

### Work Experience Program

Together with Future Innovation Forum, an organization that collaborates with companies to advance social contribution activities, ALSOK holds an annual work experience program for fifth and sixth grade elementary school students. Held in 2016, the fourth iteration of this program was



Students operating drones

based on the theme of security of the future merging people with IT. In this program, participants were outfitted with wearable devices to experience next-generation security services firsthand and also took part in demonstrations of state-of-the-art security systems using drones. By experiencing various security activities, participating students learned about the systems used to protect the safety and security of society.

### Disaster Relief Activities

ALSOK's disaster relief volunteer support system assists employees in engaging in volunteer activities by offering them special leave days for participating in such activities.

Employees lined up to take part in disaster relief volunteer activities after the severe earthquake that structure Kumamoto Prefecture in April 2016. Upon arriving at the quake-stricken region, employee volunteers coordinated with volunteer centers to tackle various tasks. These tasks included cleaning up on behalf of evacuated individuals, helping out at evacuation centers (preparing and setting up for meals, distributing support items, etc.), and sorting support items (clothing, food, water, daily sundries, etc.).

Moreover, donations totaling ¥16,116,000 were collected from well-minded ALSOK Group employees. We will continue to support regions and individuals impacted by disasters through a myriad of activities going forward.

### Aggregate Number of Welfare Vehicles Donated through ALSOK ARIGATO UNDO

(As of March 31, 2016)

95



ALSOK ARIGATO UNDO homepage (in Japanese only)

### Social Contribution Expenditures

(Fiscal year ended March 31, 2016)

¥386.9 million\*

\* Excluding expenditures associated with the ALSOK ARIGATO UNDO movement

## Initiatives for Realizing Ongoing Improvement in Corporate Value

Material CSR Theme

4

### OPERATING PRACTICE: Providing Trustworthy Security Services

ALSOK is expected to maintain high levels of social trust while acting in a highly ethical and disciplined manner. We therefore position compliance and business continuity as management issues of extreme importance, and are advancing various initiatives in relation to these matters.

#### Stringent Compliance

##### Focus on Compliance

The Company is heavily focused on compliance and conducts its security services operations while observing the Security Services Act. The Company has established the Compliance Committee, which is headed by the executive officer in charge of compliance. The committee strives to install an unwavering awareness of compliance in all executive officers and employees based on the compliance rules formulated in 2002, and periodically verifies the status of compliance in business and other activities.

##### ALSOK Hotline

The ALSOK Hotline was set up in April 2004 to facilitate reporting and consultation regarding harassment and other inappropriate corporate behavior. If employees encounter legal issues, improper conduct, or unethical behavior, they are able to report such instances using this venue without fear of detrimental treatment. The ALSOK Hotline is based on the principles of the protection of the reporter, the prevention of detrimental treatment, and the ability to report anonymously and is thus able to safeguard corporate value by ensuring that illegal or improper conduct is quickly detected.

We view compliance as an important issue needing to be addressed on a Groupwide basis. As of March 31, 2016, the ALSOK Hotline was available to employees of the Company and 57 Group companies.

In addition, we have prepared ethical education booklets, include those detailing ALSOK's approach toward corporate ethics and methods for preventing harassment and improper conduct. These booklets are distributed to employees as part of our efforts to ensure strict compliance.



Ethics education booklets distributed to employees

#### Measures for Protecting and Managing Information Assets

##### Basic Policies for Information Security

The ALSOK Group receives information from customers when concluding security contracts. Therefore, appropriate protection and management of information assets is essential to conducting security operations. With this in mind, we established the Basic Information Security Policy in 2004. Forming the basis for Companywide information security efforts, this policy is applied to all employees, including executive officers, and all the information assets that we hold.

##### Reinforcement of Information Security

The ALSOK Group carefully inspects all systems necessary for providing services and all internal systems to determine whether or not they are vulnerable to threats. We have also constructed frameworks that allow security measures to be implemented immediately should threats to system security be detected.

In addition, ALSOK institutes internal drills utilizing targeted emails\* twice a year to help instill in employees knowledge of the threats of malware contamination from cyberattacks as well as the appropriate response measures. Furthermore, aiming to reinforce the protection and management of information assets, the ALSOK Group is promoting the acquisition of certification under ISO 27001, which is the international standard for information security management systems. As of March 31, 2016, the Company and 15 Group companies had acquired this accreditation. In addition, the Company has established an internal computer security incident response team (CSIRT) as a precaution for the risk of serious information security breaches.

As a security company responsible for protecting people's lives and assets, ALSOK realizes that trustworthiness and reliability form the basis for its operations. Striving to achieve even higher levels of personal information management, the Company acquired PrivacyMark® accreditation in July 2013.

\* A type of cyberattack involving emails sent to specific companies or individuals with the aim of attacking their systems or leaking confidential information

#### Number of Internal Training Sessions Held with the Aim of Providing Trustworthy Security Services

(Fiscal year ended March 31, 2016)

Approx. **4,000**

#### Aggregate Number of Employees Taking Part in Drills Utilizing Targeted Emails

(Non-Consolidated)

Approx. **64,000**

(Drills held 8 times since 2011)



## Improvement of Security Services Quality and Customer Satisfaction

### Initiatives for Improving Quality

ALSOK has continued to hold the Sohgo Security Alliance Quality Improvement Tournament since 2010 as a nationwide event open to the entire Group aimed at encouraging employees to acquire the skills necessary for conducting security services and improving quality.

The sixth annual tournament, held in 2015, introduced new competitions, including belongings searching and English-language service, designed to help prepare for access management operations at large-scale events in light of the upcoming Olympic and Paralympic Games Tokyo 2020. A total of 232 employees advanced from preliminary tournaments held across Japan to put their skills to the test in the main tournament's now 17 events. In addition, presentations of quality improvement initiatives at ALSOK Group long-term care service companies were commenced in 2016 as a new event for promoting quality improvement initiatives in the long-term care services business.



Belongings searching competition using X-ray screening systems

### Enhancement of Customer Service

We strive to reflect both positive and negative opinions, requests, and feedback from customers in our security services. To accomplish this, we compile customer input on a daily basis and issue reports to the relevant officers and to the president. In addition, improvements are pursued through awareness-raising activities and guidance by related divisions. Compiled customer input reports are also displayed on the Company intranet to share this information with all employees.

Furthermore, presentations of customer service improvement activities are held to identify offices that have been particularly successful in enhancing customer service and report on the results of these activities. Awards are presented to offices conducting exemplary initiatives to encourage further service quality improvements.

#### Breakdown of Customer Input Reports Compiled at ALSOK Head Office

Reports of Praise      Reports of Complaints  
**2,447 / 1,514**

\* Immediate action is taken to pursue improvements in response to complaints

## Business Continuity Initiatives

### Business Continuity—A Crucial Concern for Security Companies

ALSOK's main business is to protect the safety and security of people, meaning that the Company supports an important part of social infrastructure. For this reason, it is absolutely essential that we prepare for unpredictable disasters and accidents and ensure that we can continue business operations even under extreme circumstances. In fact, we believe this crucial concern also represents one of our responsibilities toward society.

The Company has established a business continuity plan (BCP) in preparation for a wide range of potential disruptions, such as major earthquakes and other natural disasters, system malfunctions, and outbreaks of new strains of influenza. Based on this BCP, we acquired certification under ISO 22301, the international standard for business continuity management systems (BCMSSs). However, ALSOK recognizes that there is no defined end point for BCPs and that there is always room for improvement and is therefore committed to implementing ongoing enhancements to its BCP.

### BCP Drills in Preparation for Emergencies and Results

In responding to natural disasters, it is important to minimize the impacts of disasters and be prepared to halt the spread of damages by averting secondary disasters. Moreover, risk management based on BCP and BCM principles has become a common practice, and all organizations are now expected to establish recovery plans and be capable of swiftly resuming disrupted operations. The ALSOK Group conducts comprehensive disaster response drills to prepare for natural disasters twice a year and also institutes individual drills, drills on assembling employees via travel by foot, and safety confirmation drills to ensure preparedness for any emergency.

The organization-wide response capabilities honed through these drills were put to the test by the 2016 Kumamoto earthquake. ALSOK rose to the challenge, establishing a disaster response correspondence office in the Head Office only 11 minutes after the earthquake and swiftly setting up systems to send support to the quake-stricken region in the forms of human aid and supplies.

#### Time Required for First Truckload of Supplies to Reach Disaster Site after the Kumamoto Earthquake

**1 hour, 19 minutes**

(Dispatched from the Fukuoka Branch)

## Initiatives for Realizing Ongoing Improvement in Corporate Value

### Consideration for the Global Environment

Global environmental concerns are common issues for all of humanity. For this reason, the Company is working to reduce the environmental impact of its operations and has set concrete goals to this effect.

### Energy Use and Environmental Impact Reduction

#### Concerted Group Effort to Reduce Energy Use

Mindful that we have many offices, facilities, and vehicles for business use throughout Japan, we established the Medium- to Long-Term Environmental Management Plan in the fiscal year ended March 31, 2010. Based on this plan, the Company is making a concerted effort to reduce electricity usage and vehicle fuel consumption volumes. In addition, we analyze the usage patterns of every bank ATM we manage throughout Japan in order to determine the optimal routes for checking these ATMs. Through this process, we are able to replenish and collect cash more efficiently without impeding customer convenience, which remains our top priority. These efforts consequently allow us to limit the number of unnecessary ATM checks, effectively reducing fuel consumption and CO<sub>2</sub> emissions associated with the travel involved in these checks.

In the fiscal year ended March 31, 2016, we worked to cultivate a mind-set focused on electricity conservation among employees while converting vehicle standby positions in the Electronic Security Services segment to facility standby positions and actively introducing fuel-efficient vehicles and motorcycles into our fleet. At the same time, with the aim of reducing vehicle traveling distance, we developed more-efficient routes for use by sales staff on sales visits and lowered the number of technicians placed on night duty. As a result, we achieved a massive 10.4% reduction in electricity usage in comparison with the fiscal year ended March 31, 2010, the year in which we established reduction goals. This decrease was accomplished despite the increase in the number of offices and the record-breaking summer heat.

In addition, vehicle fuel consumption volumes were down 1.3% year on year, to 8,911 kiloliters. While vehicle traveling distance rose due to the expanded range of business activities in the Transportation Security Services segment, the impacts of this longer traveling distance were outweighed by the benefits of introducing into our fleet hybrid-electric vehicles, motorcycles, and pedal electric cycles. Going forward, we will continue working toward converting our entire fleet to eco-friendly vehicles in the pursuit of further reductions in fuel consumption. Furthermore, the Company established environmental policies and acquired ISO 14001 certification for certain operating sites in 2016 with the aim of improving the effectiveness of its environmental management system and making greater contributions to the realization of a sustainable society.

### Reduction of Security Vehicle Energy Use and 3R Initiatives

#### Introduction of Fuel-Efficient and Eco-Friendly Vehicles

Vehicles are a major part of the ALSOK Group's operations. However, we are actively introducing hybrid-electric vehicles, electric vehicles, motorcycles, pedal electric cycles, and other fuel-efficient vehicles with the aim of converting our entire fleet to eco-friendly vehicles. In addition, we are pursuing further fuel savings by promoting idling stops and eco-friendly driving techniques.

As of March 31, 2016, nearly all of the vehicles in ALSOK's fleet qualified as low-emissions vehicles based on the certification standards established by the Ministry of Land, Infrastructure, Transport and Tourism. Specifically, our fleet comprised 410 hybrid-electric vehicles, and we have also introduced into this fleet 734 motorcycles, 3 electric motorcycles, 168 pedal electric cycles, and 471 bicycles with the aim of cutting fuel consumption while securing a sufficient level of mobility. In addition, we have begun introducing liquid petroleum gas (LPG)- and fuel cell-powered vehicles and motorcycles\* at certain branches in order to further reduce our environmental footprint.



Hybrid-electric vehicle introduced at the Shizuoka Branch

ALSOK is also advancing Companywide initiatives based on the "3Rs," or reduce, reuse, and recycle. We cooperate with garbage separation and ink cartridge collection programs, and also reuse and recycle various types of equipment. Articles to be disposed of at branches in the Tokyo metropolitan area are accumulated at our repair center in Shin Yokohama, which categorizes items, repairs and ships those to be reused, and properly disposes of or recycles the remaining items.

In the year under review, the average ratio of waste recycled at all branches was approximately 31%. In addition, the rechargeable nickel-cadmium batteries used in our various power supply equipment are recycled to make further contributions to the preservation of the environment.

\* LPG-powered engines emit 12% to 15% less CO<sub>2</sub> than gasoline engines and approximately 6% less CO<sub>2</sub> than diesel engines with the same emission class and fuel-supply method. Accordingly, LPG is seen as the cleanest of all fossil fuels.

#### Reduction in CO<sub>2</sub> Emissions (Non-Consolidated)

(Fiscal year ended March 31, 2016, compared to fiscal year ended March 31, 2010)

**8.5%**

#### Rechargeable Nickel-Cadmium Batteries Recycled

(Fiscal year ended March 31, 2016)

**Approx. 22,000**

## CSR Management

To the Company, CSR entails remaining ever mindful of the expectations of customers and society at large and exercising its management philosophy based on the principles of *arigato no kokoro*, an ever-present feeling of gratefulness and gratitude, and *bushi no seishin*, a strong and noble samurai spirit that emphasizes teamwork and unity above all else.

### ALSOK's Fundamental Spirit and CSR Policy

#### Protection of the Safety and Security of Society

Since its founding in July 1965, the Company has continued to develop its security services business with a strong sense of commitment to its fundamental spirit, which is defined by the two principles set out in its management philosophy: *arigato no kokoro* and *bushi no seishin*.

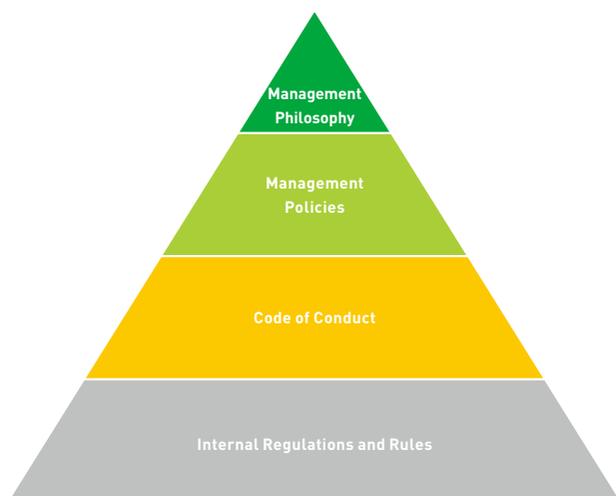
We believe that CSR entails protecting the safety and security of society by contributing to the resolution of the issues faced by customers and society through our business activities.

#### Structure of CSR Ideals

##### Clear Identification of Activities Based on Our Management Philosophy

Based on the Company's management philosophy, ALSOK has established its management policies and code of conduct as well as a framework of internal regulations and rules. Furthermore, the Company has outlined issues to address in its CSR activities, giving a clear structure to its CSR ideals.

The management policies set out the principles of how the ALSOK Group should engage with its stakeholders. The code of conduct defines how all members of the Company, including employees and executive officers, should act in carrying out their daily business activities (see page 2). The Company has also established various regulations and internal rules related to specific issues. Based on these guidelines, we are incorporating CSR activities into all areas of our business operations.



### Strengthening of the CSR Promotion Framework

#### CSR Activities Centered on the CSR Office

In April 2011, the Company established the CSR Office. This office is responsible for all areas of the Group's CSR activities and undertakes such tasks as managing the implementation of CSR activities and communicating CSR-related information to stakeholders.

For the fiscal year ended March 31, 2015, the Company published *ALSOK Report 2015*, the first edition of a new series of yearly reports that compile both financial and non-financial information to provide a more-integrated and easier-to-understand view of the link between the ALSOK Group's business activities and CSR activities. Meanwhile, we provided more-robust disclosure of CSR-related information through our corporate website to better practice corporate accountability. Going forward, we will continue to advance CSR activities in accordance with ISO 26000 as we plan and construct our corporate website and future ALSOK reports and undertake other endeavors to further promote CSR.

#### Initiatives to Inculcate CSR

##### Improvement of Awareness and Cultivation of a CSR-Based Mind-Set

By distributing our in-house quarterly magazine, *ALSOK CSR Newsletter*, and our CSR Activities Guide, we strive to inculcate CSR in all employees. We also incorporate lectures on basic CSR principles and the importance of CSR into training for newly promoted managers and hold group training sessions to allow employees to think together about how to incorporate CSR activities into our business. Through such efforts, we are working to cultivate a CSR-based mind-set.

Furthermore, we have been conducting CSR activity surveys targeting employees at the Head Office, branches, and all Group companies since 2014. These surveys help us collect quantitative and qualitative information on the state of environmental, social, and governance (ESG) matters within the Group. Moreover, initiatives such as this provide an opportunity to promote CSR, and CSR awareness has been improving with each coming year as a result.



Training for newly promoted managers utilizing *ALSOK Report 2015*

# Corporate Governance

## Basic Policies and Systems

The ALSOK Group advocates “contribution to society” as one of its management policies, and we devote our best efforts to protecting the safety and security of our customers and of society as a whole. 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.

### Observation of Japan’s Corporate Governance Code

The Company observes the principles put forth by Japan’s Corporate Governance Code, which was formulated by Tokyo Stock Exchange, Inc., using these policies as guidelines for corporate governance and carrying out detailed inspections and reviews of organizational structures. In addition, we submit a Corporate Governance Report to the Tokyo Stock Exchange on a yearly basis and post this report on our corporate website (in Japanese only). This report contains information on our efforts to observe the Corporate Governance Code.

Going forward, we will continue to examine possible measures for our various systems in order to create an organizational structure that features more effective corporate governance, incorporating social trends as part of this endeavor.

### Overview of Corporate Governance Systems and Reasons for Adoption

The Company has adopted the Company with Audit & Supervisory Board structure described in the Companies Act of Japan. By implementing the following systems, the Company affirms that effective and complete audits are conducted by Audit & Supervisory Board Members and that management is being appropriately governed.

The Company has appointed 10 directors, two of which are outside directors, and four Audit & Supervisory Board members, three of which are outside Audit & Supervisory Board members. The Board of Directors meets once a month, in principle, to decide on basic management policies and important matters pertaining to operational execution and to supervise the execution of duties by directors and executive officers. The Management Committee, which is chaired by the chairman and representative director, meets twice a month, in principle, to determine the agenda items to be presented to the Board of Directors and to discuss the operational execution policies formulated based on Board of Directors’ decisions. The Audit & Supervisory Board meets once a month, in principle, to discuss and make decision decisions based on reports on important matters related to audits. One Audit & Supervisory Board member attends meetings of the Management Committee to provide appropriate oversight for management.

We have adopted the current system based on the judgment that it effectively ensures the impartiality and transparency of management.

As stipulated in Clause 1, Article 427, of the Companies Act of Japan, outside directors and outside Audit & Supervisory Board Members have entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Clause 1, Article 423, of the Companies Act. Amounts of liability under this agreement shall be the higher amount of ¥10 million and the minimum amount of liability designated by Clause 1, Article 425, of the Companies Act.

These provisions ensure that outside directors and outside Audit & Supervisory Board Members can effectively perform their expected duties.

Corporate governance system	Company with Audit & Supervisory Board
Chairman of the Board of Directors	Chairman and Representative Director
Number of directors	10 (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	36%
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	15 times Outside directors: 1 attended 100% of meetings, 1 attended 92% of meetings Outside Audit & Supervisory Board Members: 2 attended 100% of meetings, 1 attended 93% of meetings
Number of meetings of the Audit & Supervisory Board and attendance by outside Audit & Supervisory Board Members in the year under review	21 times 3 attended 100% of meetings

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

As for the outside directors and outside Audit & Supervisory Board Members, it is assumed to cover the function of observation and supervision of the management team by objective and neutral standpoint. Also, we do not set any basis nor policy concerning independence to appoint outside directors and outside Audit & Supervisory Board Members, although we refer to requirements of independent officers fixed by Tokyo Stock Exchange.

Also, 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 the day prior to the meeting, allowing them to more effectively monitor management. 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,



## Corporate Governance

### 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 periodically verifies the status of compliance in business and other activities. Furthermore, the Company conducts activities to promote compliance on a Groupwide basis. Moreover, together with the Education & Training Department, the Compliance Committee is implementing corporate ethics training and taking other steps to cultivate and thoroughly entrench 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 executive officers and employees to report any issues that they may witness. On April 1, 2016, the Company established an external reporting hotline to add to the already existing internal hotline.

### 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 Companywide risk management activities, such as the identification and evaluation of risks and the formulation of preventative measures and countermeasures. The Risk Management Committee also contains subcommittees for risks in specific areas. These subcommittees gather information on the risks in their designated area, analyze and evaluate these risks, and draft measures to mitigate these risks. 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.

The Legal Office exists to respond to lawsuits, legal disputes, and other legal risks, which it does while coordinating with the relevant operating divisions. Moreover, the Company has formed consultant contracts with seven law firms, ensuring that it can receive appropriate advice and guidance for responding to major legal and compliance issues and thereby helping prevent the actualization of risks. By maintaining compliance while receiving such counsel, we are involving internal and external lawyers in the Company's corporate governance systems.

### 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 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/>



## Messages from Outside Directors

### Future Development Hinged on Employee Growth

ALSOK is charged with the important mission of protecting the safety and security of society, and the Company has faithfully carried out this mission since its founding. Moved by this dedication, I accepted the position of outside director with the hope of aiding ALSOK in this mission.

The security services business is a business built on people. As such, the future development of security services companies hinges on how much value their employees and their ability to help them grow. I make sure never to forget this fact as I maintain my focus on governance. Fortunately, ALSOK's management closely associates itself with frontline operations, placing great importance on the feelings of employees. In addition, ALSOK frequently recruits individuals from outside the Company, actively striving to utilize various senses of value within the organization.

As an organization, ALSOK is very receptive to compliance and risk management needs. However, given that the Company is looking to develop and expand its operation overseas in the future, it is now tasked with the new need to prepare to function as a global company. Meanwhile, ALSOK's position as a Tokyo 2020 Official Partner will provide an opportunity to demonstrate the impeccable quality of Japan's security services to the entire world. For this reason, it is crucial for the Company to be able to make real contributions to ensuring the safety of this event.

ALSOK is still in the progress of growing. Looking ahead, ALSOK will likely move toward a more complete state by supplementing its core security services operations with new businesses, thereby increasing its brand value. I aim to assist ALSOK in growing into a company that is highly beneficial to society while helping ensure that it remains true to the mission of protecting the safety and security of society it has held since its founding.



**Yutaka Takehana**  
Outside Director

### Proactive Governance Going Beyond Oversight to Contribute to Improved Competitiveness

I advise ALSOK's directors to voice opinions with regard to their own areas of responsibility as well as to the areas other directors are in charge of and also to ensure that they apply the plan-do-check-act cycle to decisions made. Japan's Corporate Governance Code was enacted in June 2016. This code puts forth the idea of proactive governance that goes beyond simply focusing on oversight to contribute to improved competitiveness and thereby facilitate the establishment of more effective internal controls. I believe that one of the responsibilities of outside directors is to support the entrepreneurial spirit of a company's officers. For this reason, I too seek to go beyond simply pointing out issues to offer input that helps the Company move forward.

At the same time, I realize the extreme importance of timely disclosure for shareholders and provision of information to the Company's various other stakeholders. I thus focus on making sure that management is always thinking about disclosure timing and methods to guarantee that appropriate information transmission is not neglected. ALSOK's customer base is not limited to corporate clients, but also includes individual users. For this reason, it is crucial that the Company actively transmit messages to society.

There is no one correct answer for the ideal corporate governance system, and each company will need to find its own answer. Nevertheless, I think the value of outside directors comes from their ability to introduce management to the practices of other companies so that these practices can be used as a reference. At ALSOK, the outside directors proactively express their opinions, and management listens to these opinions earnestly, a fact that fills me with motivation.

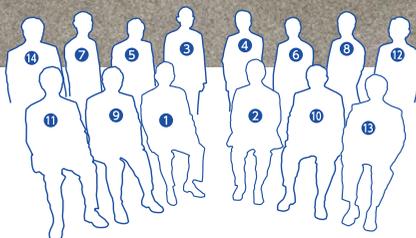


**Takeshi Oiwa**  
Outside Audit & Supervisory Board Member

\* ALSOK is a Tokyo 2020 Official Partner [Security Services and Planning].

# Directors, Audit & Supervisory Board Members, and Executive Officers

As of October 4, 2016



## 1 Atsushi Murai

Chairman and Representative Director  
Chief Executive Officer (CEO)

Sep. 1995: Director-General, Chubu Regional Police Bureau [Resigned in Jun. 1996]  
Jun. 1996: Deputy Governor, Deposit Insurance Corporation of Japan [Resigned in Sep. 1997]  
Sep. 1997: Joined the Company as a consultant  
Jun. 1998: Senior Executive Vice President and Representative Director  
Jun. 2001: President and Representative Director  
Jul. 2003: Chief Officer of Business Promotion Division  
Apr. 2004: Chief Officer of Security Operations Division  
Apr. 2011: Chief Executive Officer [Current]  
Apr. 2012: Chairman and Representative Director [Current]

Major Concurrent Position  
Dec. 1997: Representative Director, SOHGO CORPORATION [Current]

## 2 Yukiyasu Aoyama

President and Representative Director  
Senior Executive President  
Chief Operating Officer (COO)

Jul. 2006: Director-General, Customs and Tariff Bureau, Ministry of Finance Japan [Resigned in Jul. 2008]  
Aug. 2008: Joined the Company as Senior Executive Officer, Chief Officer of Security Operations Division  
Apr. 2009: In charge of Human Resources, Security Operations, and Corporate Ethics  
Jun. 2009: Executive Vice President and Representative Director  
Apr. 2010: Senior Executive Vice President and Representative Director, Chief Officer of Business Promotion Division  
Apr. 2011: Chief Operating Officer [Current]  
Apr. 2012: President and Representative Director [Current]  
Senior Executive President [Current]

Major Concurrent Position  
Jun. 2014: Chairman, All Japan Security Service Association [Current]

## 3 Yuichi Miyazawa

Director  
Executive Vice President  
Long-term Care  
Management Company  
Regional Management

Apr. 1978: Joined the Company  
Apr. 2004: General Manager of Human Resources Department  
Apr. 2007: Executive Officer, Deputy Chief Officer of West Headquarters  
Jun. 2010: Senior Executive Officer  
Jun. 2011: Director and Senior Executive Officer  
Apr. 2014: In charge of Management Company, and Regional Management [Current]  
Apr. 2016: Director and Executive Vice President [Current]  
In charge of Long-term Care [Current]

Major Concurrent Positions  
Feb. 2015: Representative Director, ALSOK Care & Support Co., Ltd. [Current]  
May 2016: President and Representative Director, Wisnet Co., Ltd. [Current]

## 4 Kiyomi Hara

Director  
Executive Vice President  
Chief Officer of Business Promotion Division

Mar. 1970: Joined the Company  
Jun. 2006: President and Representative Director, Tokyo Sohgo Security Services Co., Ltd. [Secundered, resigned in Apr. 2008]  
Jun. 2007: Executive Officer  
Jun. 2010: Senior Executive Officer  
Jun. 2011: Director and Senior Executive Officer  
Apr. 2016: Director and Executive Vice President [Current]  
Chief Officer of Business Promotion Division [Current]

Major Concurrent Positions  
Jun. 2011: Representative Director, ALSOK LEASING CO., LTD. [Current]  
Apr. 2014: Representative Director, ALSOK Souei Co., Ltd. [Current]  
Apr. 2016: Representative Director, Japan Facilio Co., Ltd. [Current]  
Representative Director, Nippon Building Maintenance Co., Ltd. [Current]

**5 Yoshiro Kuribayashi**

Director  
Executive Vice President  
Special Adviser  
Stationed Security Services / General  
Property Management and Fire Protection  
Services

Apr. 1974: Joined the Company  
Apr. 2007: General Manager of Human Resources  
Department  
Apr. 2009: Executive Officer  
Jun. 2011: Senior Executive Officer  
Jun. 2014: Director and Senior Executive Officer  
Jun. 2016: Director and Executive Vice President  
(Current)  
Special Adviser (Current)  
In charge of Stationed Security Services  
/ General Property Management and  
Fire Protection Services (Current)

## Major Concurrent Position

Apr. 2016: President and Representative Director,  
ALSOK STATIONED SECURITY CO., LTD.  
(Current)

**6 Hirohisa Hokari**

Director  
Senior Executive Officer  
Corporate Planning & Administration  
Strategic Business  
Deputy Chief Officer of Business  
Promotion Division  
Business Planning & Management  
Financial Institutions  
Investor Relations

Apr. 2010: Director-General of Operations  
Department at Bank of Japan  
(Resigned in Jun. 2011)  
Jun. 2011: Joined the Company as Executive Officer  
Feb. 2012: Senior Executive Officer and Deputy  
Chief Officer of Business Promotion  
Division (Current)  
Jun. 2014: Director and Senior Executive Officer  
(Current)  
Apr. 2016: Corporate Planning & Administration  
(Current)  
Strategic Business (Current)  
Deputy Chief Officer of Business  
Promotion Division (Current)  
Business Planning & Management  
(Current)  
Financial Institutions (Current)  
Investor Relations (Current)

**7 Hiraku Otani**

Director  
Senior Executive Officer  
Financial & Accounting  
International Affairs  
Internal Control  
Chief Officer of International Affairs

Apr. 2008: Executive Officer, Mizuho Corporate  
Bank, Ltd. (Currently Mizuho Bank, Ltd.)  
(Resigned in Apr. 2010)  
Jun. 2010: Joined the Company as Executive Officer  
In charge of Financial & Accounting and  
Internal Control (Current)  
Jun. 2011: Senior Executive Officer  
Apr. 2013: In charge of International Affairs  
(Current)  
Apr. 2014: Chief Officer of International Affairs  
(Current)  
Jun. 2016: Director and Senior Executive Officer  
(Current)

**8 Tsuyoshi Murai**

Director  
Senior Executive Officer  
Human Resources  
Corporate Ethics  
Deputy Chief Officer of Business  
Promotion Division

Jul. 1997: Joined the Company  
Jun. 2007: Chief Officer of Home Marketing Division  
Apr. 2010: Executive Officer  
Mar. 2011: Representative Director,  
Japan Facilio Co., Ltd.  
(Resigned in Mar. 2014)  
Apr. 2014: Senior Executive Officer  
Deputy Chief Officer of Business  
Promotion Division (Current)  
Apr. 2016: In charge of Human Resources and  
Corporate Ethics (Current)  
Jun. 2016: Director and Senior Executive Officer  
(Current)

## Major Concurrent Position

Sep. 2014: Representative Director,  
SOHGO CORPORATION (Current)

**9 Yutaka Takehana**

Director (Outside Director)

Sep. 2001: Director, Hiroshima Prefectural Police  
Headquarters  
Jun. 2003: Vice Governor of Tokyo  
(Resigned in Jul. 2005)  
Aug. 2005: Director of Public Safety Department,  
National Police Agency  
(Resigned in Jan. 2007)  
Mar. 2007: Consultant,  
Matsushita Electric Industrial Co. Ltd.  
(Currently Panasonic Corporation)  
Oct. 2007: Member of Tokyo Metropolitan Board of  
Education (Resigned in Sep. 2015)  
Apr. 2008: Executive Officer,  
Matsushita Electric Industrial Co. Ltd.  
(Currently Panasonic Corporation)  
Apr. 2009: Managing Executive Officer,  
Panasonic Corporation  
(Resigned in Mar. 2013)  
Jun. 2013: President & CEO, Tokyo Big Sight Inc.  
(Current)  
Jun. 2015: Joined the Company as Outside Director  
(Current)

## Major Concurrent Position

Jun. 2013: President & CEO, Tokyo Big Sight Inc.  
(Current)

**10 Masakazu Iwaki**

Director (Outside Director)

Jun. 2010: Representative and Executive Vice  
President, Nippon Steel Corporation  
(Currently NIPPON STEEL & SUMITOMO  
METAL CORPORATION, resigned in  
Mar. 2014)  
Apr. 2014: Member of the Board, NIPPON STEEL &  
SUMITOMO METAL CORPORATION  
(Resigned in Jun. 2014)  
Jun. 2014: Executive Advisor, NIPPON STEEL &  
SUMITOMO METAL CORPORATION  
(Resigned in Jul. 2014)  
Jun. 2016: Joined the Company as Outside Director  
(Current)

**11 Makoto Uenoyama**

Audit & Supervisory Board Member  
(Outside Audit & Supervisory Board  
Member)

Jun. 2007: Director,  
Matsushita Electric Industrial Co. Ltd.  
(Currently Panasonic Corporation)  
Apr. 2010: Managing Director, Panasonic  
Corporation (Resigned in Jun. 2012)  
Jun. 2012: Managing Executive Officer,  
Panasonic Corporation  
(Resigned in Mar. 2013)  
Apr. 2013: Corporate Advisor, Panasonic  
Corporation (Resigned in Mar. 2015)  
Jun. 2013: Joined the Company as Outside Audit &  
Supervisory Board Member (Current)

**12 Masaki Tatsuguchi**

Audit & Supervisory Board Member

Apr. 1978: Joined the Company  
Jan. 2010: General Manager of Finance &  
Accounting Department  
Oct. 2012: General Manager of General Affairs  
Department  
Jun. 2014: Chief Officer of Regional Division (VIII)  
Jun. 2015: Audit & Supervisory Board Member  
(Current)

**13 Takeshi Oiwa**

Audit & Supervisory Board Member  
(Outside Audit & Supervisory Board  
Member)

Apr. 2007: Managing Executive Officer,  
Sompo Japan Insurance Inc. (Currently  
Sompo Japan Nipponkoa Insurance Inc.)  
Jun. 2007: Director and Managing Executive Officer,  
Sompo Japan Insurance Inc. (Currently  
Sompo Japan Nipponkoa Insurance Inc.)  
Jun. 2010: Director and Senior Managing Executive  
Officer, Sompo Japan Insurance Inc.  
(Currently Sompo Japan Nipponkoa  
Insurance Inc.)  
Jan. 2011: Deputy President and Director,  
Sompo Japan Insurance Inc.  
(Currently Sompo Japan Nipponkoa  
Insurance Inc., resigned in Mar. 2011)  
Apr. 2011: Audit & Supervisory Board Member,  
Nippon Export and Investment Insurance  
(Current)  
Jun. 2011: Joined the Company as Outside Audit &  
Supervisory Board Member (Current)

**14 Ikuhiro Watanabe**

Audit & Supervisory Board Member  
(Outside Audit & Supervisory Board  
Member)

Jun. 2007: General Manager of Custodial  
Department, The Norinchukin Bank  
(Resigned in May 2009)  
Jun. 2009: Manager of Internal Audit Division,  
Starzen Co., Ltd.  
Apr. 2013: Executive Officer and Manager of Legal  
Department, Starzen Co., Ltd.  
(Resigned in Sep. 2014)  
Oct. 2014: Corporate Advisor, Norinchukin  
Research Institute Co., Ltd.  
(Resigned in Jun. 2015)  
Jun. 2015: Joined the Company as Outside Audit &  
Supervisory Board Member (Current)

**Executive Officers****Motohisa Suzuki**

Senior Executive Officer  
General Affairs / PR  
Procurement  
Deputy Chief Officer of Security Operations  
Deputy Chief Officer of Business Promotion  
Division  
HOME ALSOK  
Compliance  
Risk Management  
Information Assets Management  
Chief Officer of General Administration Dept.

**Masahiro Kawaguchi**

Senior Executive Officer  
Chief Officer of R&D Planning Dept.

**Ikuji Kayaki**

Senior Executive Officer  
Chief Officer of Security Operations  
Structural Reform  
(Transportation Security Services)

**Shigeki Nomura**

Senior Executive Officer  
Deputy Chief Officer of Business  
Promotion Division (Central Japan)  
Chief Officer of Regional Division (III)

**Masashi Terao**

Senior Executive Officer  
West Japan  
Deputy Chief Officer of Business  
Promotion Division (Kansai)

**Masato Yagi**

Senior Executive Officer  
Chief Officer of Regional Division (I)

**Takashi Kumagai**

Executive Officer  
Deputy Chief Officer of Management Company  
Deputy Chief Officer of Regional Management  
Deputy Chief Officer of R&D  
Deputy Chief Officer of Business  
Promotion Division  
Sales Promotion  
Corporate Customers

**Koji Kishimoto**

Executive Officer  
Second in charge of Financial & Accounting  
General Manager of Financial & Accounting Dept.

**Akira Kono**

Executive Officer  
Human Resources  
General Manager of Human Resources Dept.

**Shinichi Honjo**

Executive Officer  
Chief Officer of Regional Division (II)

**Shigeyoshi Kuroki**

Executive Officer  
Chief Officer of Regional Division (V)

**Norihiko Mizutani**

Executive Officer  
Chief Officer of Regional Division (VII)

# Financial Section

## Management Indexes

Fiscal year ended March 31	2006	2007	2008	2009
<b>Profit and loss (Millions of yen)</b>				
Net sales	267,545	276,560	284,996	285,004
Cost of sales	199,144	203,080	212,287	215,711
Gross profit	68,400	73,479	72,709	69,292
Selling, general and administrative expenses	56,154	57,507	58,913	59,349
Operating income	12,246	15,972	13,795	9,943
Ordinary income	13,102	16,917	14,642	10,630
Profit attributable to owners of parent	5,550	7,558	7,653	4,224
<b>Profitability</b>				
Gross profit margin (%)	25.6	26.6	25.5	24.3
Operating income margin (%)	4.6	5.8	4.8	3.5
Ordinary income margin (%)	4.9	6.1	5.1	3.7
Return on assets (ROA) (%)	4.6	6.0	5.0	3.6
Return on equity (ROE) (%)	4.4	5.7	5.6	3.1
EV/EBITDA (Times) <sup>1</sup>	7.4	6.9	5.1	3.0
<b>Stability</b>				
Equity capital ratio (%)	45.7	47.2	46.2	47.7
Equity capital ratio on market-value basis (%)	67.5	77.2	47.4	29.5
Interest-bearing liabilities (Millions of yen)	65,544	61,042	74,485	66,247
Interest coverage ratio (Times) <sup>2</sup>	12.3	14.9	15.2	20.7
<b>Efficiency</b>				
Total asset turnover ratio (Times)	0.9	1.0	1.0	1.0
Shareholders' equity turnover ratio (Times)	2.1	2.1	2.1	2.1
Tangible fixed assets turnover ratio (Times)	4.6	4.8	5.0	5.0
<b>Per share information</b>				
Net assets per share (Yen)	1,274.27	1,322.82	1,356.35	1,364.33
Profit attributable to owners of parent per share (Yen)	52.91	74.71	75.07	41.90
Price-book value ratio (Times)	1.5	1.6	1.0	0.6
Price earnings ratio (Times)	35.7	28.9	18.5	20.2
Dividends per share (Yen)	17	20	20	20
Consolidated dividend payout ratio (%)	32.1	26.8	26.6	47.7
Closing stock price	1,887	2,160	1,390	845
<b>Other information</b>				
Number of employees (Consolidated)	24,703	25,302	26,014	26,960
Average number of years of continuous service (Non-consolidated)	11.3	11.6	11.8	11.9
Percentage of employees returning to work after childcare leave (Non-consolidated, total for male and female employees)	—	—	—	—
CO <sub>2</sub> emissions volume (Non-consolidated, t-CO <sub>2</sub> )	—	—	—	—

1. Method of calculation for EV/EBITDA is as follows:

EV [Enterprise value] = Market capitalization + Interest-bearing liabilities - Short-term liquidity (Cash and deposits + Short-term investments in securities)

EBITDA [Earnings before interest, tax, depreciation and amortization] = Operating income + Depreciation and amortization

2. Due to changes in the method of calculation, interest coverage ratios for the fiscal year ended March 31, 2006, and earlier are calculated differently from those in subsequent fiscal years.

2010	2011	2012	2013	2014	2015	2016
278,579	279,272	304,723	315,564	328,209	365,749	381,818
210,097	209,364	232,812	242,410	248,900	276,116	282,880
68,482	69,908	71,910	73,153	79,308	89,632	98,937
59,211	59,555	61,100	61,363	60,375	66,660	69,901
9,270	10,352	10,810	11,790	18,932	22,971	29,036
10,819	11,765	12,558	14,741	20,745	24,700	30,667
4,563	4,706	3,903	8,574	10,955	13,534	17,868
24.6	25.0	23.6	23.2	24.2	24.5	25.9
3.3	3.7	3.5	3.7	5.8	6.3	7.6
3.9	4.2	4.1	4.7	6.3	6.8	8.0
3.8	4.2	4.4	5.1	6.5	6.9	8.5
3.3	3.3	2.7	5.7	7.0	7.8	9.9
2.3	1.4	1.4	2.7	5.3	10.1	13.4
50.9	50.3	51.3	52.1	46.2	48.4	51.9
39.4	32.0	34.8	46.5	63.5	110.1	175.4
51,318	49,311	39,270	37,455	71,666	73,698	47,208
24.0	20.1	34.1	36.9	36.4	28.5	30.1
1.0	1.0	1.1	1.1	1.0	1.0	1.1
2.0	2.0	2.1	2.1	2.1	2.2	2.1
4.9	4.9	5.2	5.4	5.2	5.4	5.3
1,397.90	1,421.67	1,446.93	1,536.30	1,574.74	1,800.15	1,805.09
45.39	46.82	38.83	85.30	108.99	134.65	177.77
0.8	0.6	0.7	0.9	1.4	2.3	3.4
23.9	19.3	25.3	16.1	19.9	30.4	34.3
20	20	20	25	30	38	50
44.1	42.7	51.5	29.3	27.5	28.2	28.1
1,083	905	982	1,373	2,164	4,095	6,100
27,322	27,790	27,868	28,054	28,091	31,221	31,446
12.3	12.7	13.3	13.8	14.4	14.9	15.4
92.2	90.2	93.3	97.6	92.4	96.6	93.0
40,871	39,968	38,022	38,587	41,377	39,212	37,390

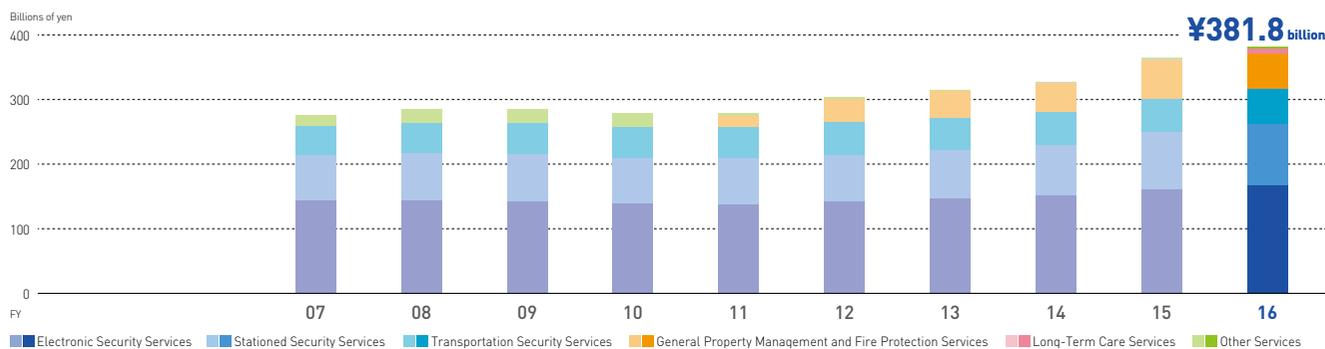
## Financial Section

### Breakdown of Sales / Number of Contracts

#### Net Sales by Service Type

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Security Services										
Electronic Security Services	143.2	143.9	142.5	138.9	138.4	142.9	147.1	151.8	160.4	167.1
Stationed Security Services	70.9	72.7	72.8	70.6	71.3	71.3	73.8	77.2	88.4	93.9
Transportation Security Services	44.5	46.6	47.4	46.8	47.6	49.8	50.8	51.0	52.3	54.6
General Property Management and Fire Protection Services <sup>1</sup>	—	—	—	—	17.0	36.6	40.6	44.8	58.3	54.9
Long-Term Care Services	—	—	—	—	—	—	—	0.5	3.1	7.5
Other Services	17.8	21.6	22.2	22.1	4.7	4.0	3.0	3.1	3.1	3.5
<b>Total</b>	<b>276.5</b>	<b>284.9</b>	<b>285.0</b>	<b>278.5</b>	<b>279.2</b>	<b>304.7</b>	<b>315.5</b>	<b>328.2</b>	<b>365.7</b>	<b>381.8</b>

1. General Property Management and Fire Protection Services was converted to a reportable segment in the fiscal year ended March 31, 2012, and accordingly net sales amounts for this segment are displayed separately from the fiscal year ended March 31, 2011, and onward. Net sales amounts for fiscal years ended March 31, 2010, and prior are included under "Other Services."

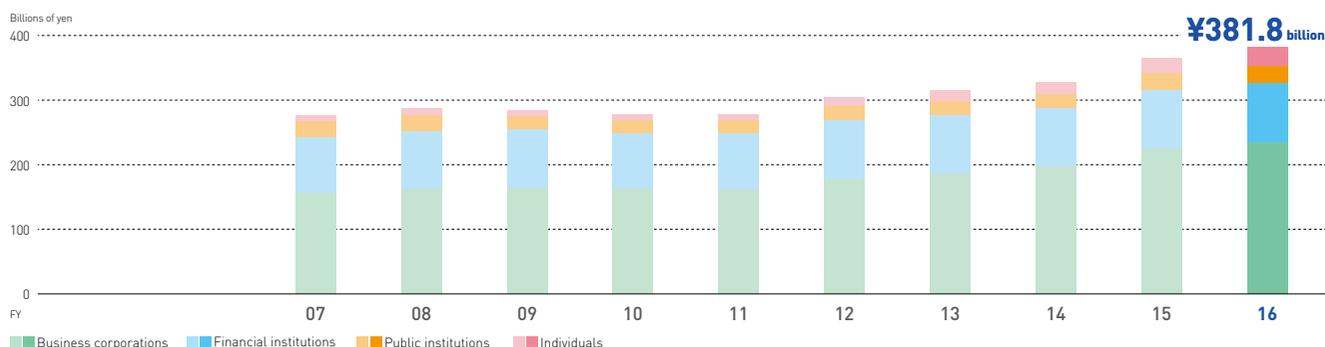


#### Net Sales by Client Type

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business corporations <sup>2</sup>	156.7	162.7	164.8	163.1	160.9	178.4	186.5	196.7	224.9	234.3
Financial institutions <sup>2</sup>	86.0	90.0	90.4	85.7	88.3	90.7	89.8	90.5	91.3	92.3
Public institutions <sup>2</sup>	24.2	22.4	19.6	19.5	19.3	20.5	22.0	22.8	26.4	26.2
Individuals <sup>3</sup>	9.4	9.8	10.0	10.1	10.6	14.9	17.1	18.0	22.9	28.9
<b>Total</b>	<b>276.5</b>	<b>284.9</b>	<b>285.0</b>	<b>278.5</b>	<b>279.2</b>	<b>304.7</b>	<b>315.5</b>	<b>328.2</b>	<b>365.7</b>	<b>381.8</b>

2. In conjunction with the conversion of Japan Post to a privately operated company in October 2007, sales to Japan Post Co., Ltd., have been transferred from "Public institutions" to "Business corporations" and sales to Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., have been transferred to "Financial institutions." Sales to subsidiaries of financial institutions were previously included under "Business corporations" but have since been transferred to "Financial institutions."

3. Sales of HOME ALSOK APARTMENT AND CONDOMINIUM PLAN and HOME ALSOK MIMAMORI SUPPORT have been included under "Individuals," even for contracts in which the customer is a business corporation or government office.



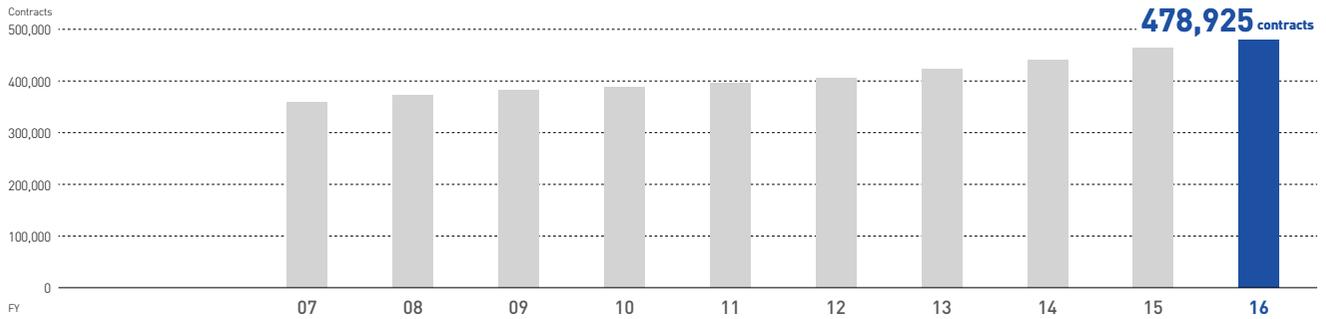
## Number of Contracts

	2007	2008	2009	2010	2011	2012	2013	2014	2015	Contracts 2016
<b>Security Services</b>										
Electronic Security Services	462,913	487,228	507,954	524,708	541,654	580,263	630,977	677,672	803,601	854,083
Corporate Clients	359,344	372,196	381,759	388,853	396,580	406,261	422,676	440,028	463,053	478,925
Individual Users	103,569	115,032	126,195	135,855	145,074	174,002	208,301	237,644	340,548	375,158 <sup>5</sup>
Stationed Security Services	2,843	2,922	2,854	2,785	2,866	2,934	3,020	3,227	3,597	3,970
Transportation Security Services	32,980	33,397	33,960	35,963	39,065	48,284	51,698	55,420	59,134	62,146
<b>General Property Management and Fire Protection Services<sup>4</sup></b>	—	—	—	—	44,212	47,913	54,903	63,004	73,898	81,908
<b>Long-Term Care Services</b>	—	—	—	—	—	—	—	—	7,043	12,804
<b>Other Services</b>	57,425	56,099	43,171	42,909	8,307	8,957	11,989	13,725	15,434	18,217
<b>Total</b>	<b>556,161</b>	<b>579,646</b>	<b>587,939</b>	<b>606,365</b>	<b>636,104</b>	<b>688,351</b>	<b>752,587</b>	<b>813,048</b>	<b>962,707</b>	<b>1,033,128</b>

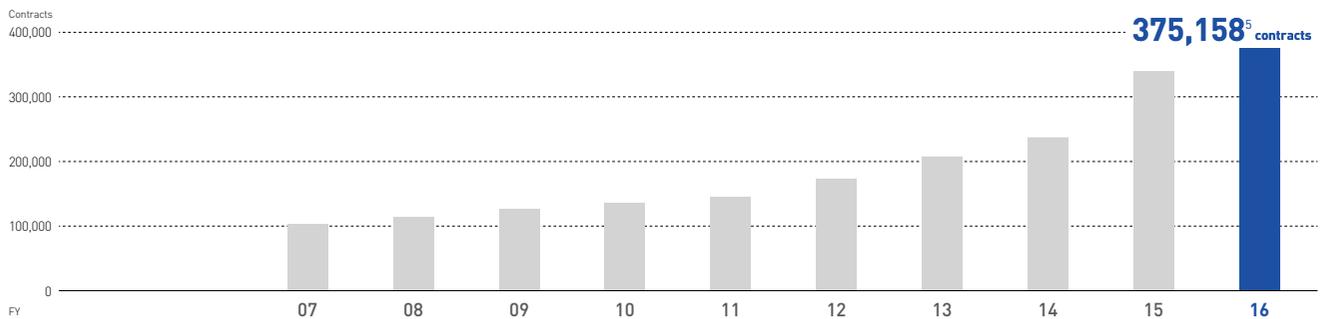
4. General Property Management and Fire Protection Services was converted to a reportable segment in the fiscal year ended March 31, 2012, and accordingly the number of contracts for this segment is displayed separately from the fiscal year ended March 31, 2011, and onward. The number of contracts for fiscal years ended March 31, 2010, and prior is included under "Other Services."

5. If contracts for individual households in housing complexes are included, this figure would be approximately 920,000.

### Number of Contracts for Corporate Clients



### Number of Contracts for Individual Users



# Management's Discussion and Analysis

## Analysis of Business Performance

### Operating Environment

#### Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

In the year under review, the general trend toward modest recovery continued in Japan, but the sense of opaqueness in the economy grew slightly during the second half of the fiscal year. Moreover, several trends appeared that present the risk of placing downward pressure on the domestic economy. These trends included stagnant consumer spending stemming from poor growth in wages as well as increased uncertainty in the global economy arising from economic slowdown and geopolitical risks in China, Europe, and emerging countries.

In regard to public safety in Japan, crime is declining rapidly, as indicated by the fact that the number of reported crimes in 2015 reached a new post-World War II low. However, there seems to be no end to the occurrence of crimes that affect people's everyday lives, such as crimes targeting women and children and special-case scams aimed at senior citizens. As the same time, the range of risks faced by society is diversifying, now including such threats as cybercrimes, information leaks, natural disasters, and frequently occurring international terrorism. ALSOK thus realizes the need for it to provide a wide range of services that respond to social needs as a company responsible for an important piece of social infrastructure supporting the safety and security of society.

### Operating Results

In this environment, based on its policy of "responding accurately to customers' various risks and outsourcing needs," the ALSOK Group continued working to strengthen and expand its mainstay security services operations while also growing businesses in peripheral fields that are highly compatible with security services, such as long-term care and building maintenance. At the same time, we pursued cost

reductions by improving efficiency in security operation divisions by having human resources handle a broader range of functions.

Due to the above factors, net sales rose 4.4% year on year, to ¥381,818 million; operating income was up 26.4%, to ¥29,036 million; ordinary income rose 24.2%, to ¥30,667 million; and profit attributable to owners of parent increased 32.0%, to ¥17,868 million.

## Sales by Business Segment

### Security Services

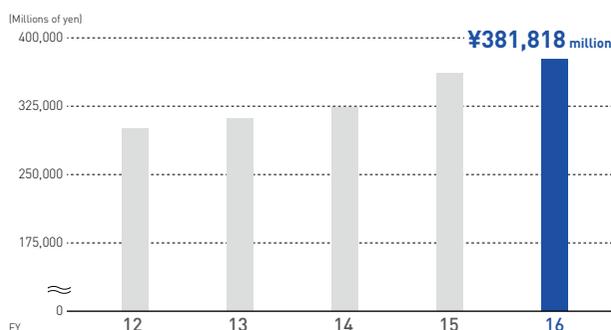
#### Electronic Security Services

In Security Services, the Electronic Security Services segment promoted sales of Control System S-860 as well as ALSOK-GV (read as "ALSOK G-five"), a service that combines Internet-based security services utilizing image monitoring with ALSOK Information Service, which allows for information regarding when employees arrive at or leave premises to be viewed online while also providing Internet-based remote control functionality for equipment. In addition, October 2015 saw the launch of the new ALSOK Image Cloud Service. This affordable yet highly functional service provides safe, cloud-based storage for images recorded by security cameras and enables the stored images to be viewed via the Internet on a smartphone or PC. We also deployed wide-ranging initiatives to respond to demand for stronger security to protect against leakage of confidential information, which included taking steps to address the Social Security and Tax Number System ("My Number" system).

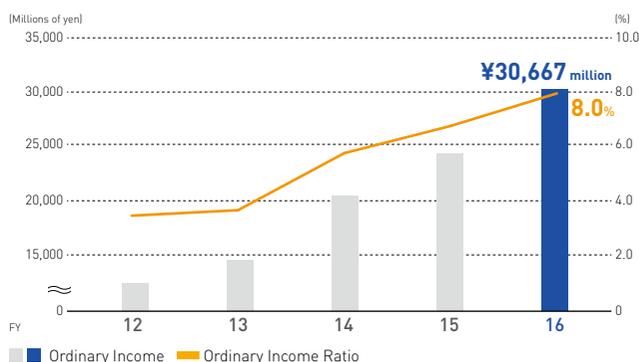
These initiatives resulted in higher revenues from sales of access management systems, security cameras, and other equipment.

In services for individual users, we witnessed smooth progress in orders for the HOME ALSOK APARTMENT AND CONDOMINIUM PLAN, a service for housing complexes, as well as services for protecting the safety of senior citizens provided to municipal governments. Also during the year under review, we enhanced our

### Net Sales



### Ordinary Income / Ordinary Income Margin



product lineup with the launch of Home Security Basic, the new standard of home security services equipped with cutting-edge features that respond to such trends as the rapid spread of smart-phones and the diversification of the communication methods available to different homes.

#### Stationed Security Services

In the Stationed Security Services segment, orders for stationed security at commercial complexes as well as orders for temporary security at events contributed to higher sales. At the same time, we realized further sales growth by acquiring orders in new fields, such as train station management and wholesale market security.

#### Transportation Security Services

In the Transportation Security Services segment, orders for the Total ATM Management System buoyed sales amid a growing trend toward outsourcing operation and management of ATMs installed in financial institutions and convenience stores.

Due to the above, net sales in the Security Services segment increased 4.8% year on year, to ¥315,730 million, and operating income rose 21.5%, to ¥32,707 million.

#### General Property Management and Fire Protection Services

In the General Property Management and Fire Protection Services segment, we bolstered intra-Group coordination in order to strengthen our system for providing one-stop response to customer needs related to the maintenance, management, and operation of buildings, condominiums, and other facilities, resulting in the smooth acquisition of facility-related orders. In addition, sales were up for ALSOK Aerial Photography Services, which utilize aerial robots to efficiently manage large-scale solar power installations and help maintain high levels of generation efficiency, as well as for fire extinguishing equipment and charging facilities for electric vehicles. However, revenue from installation work was down. As a result, net

sales in the General Property Management and Fire Protection Services segment decreased 5.7% year on year, to ¥54,976 million, while operating income increased 10.1%, to ¥4,376 million.

#### Long-Term Care Services / Other Services

In the Long-term Care Services / Other Services segment, net sales increased 77.1% year on year, to ¥11,110 million, and operating income rose 40.7%, to ¥729 million, as a result of the improved performance of HCM Corporation and ALSOK Care & Support Co., Ltd., which were both consolidated in the fiscal year ended March 31, 2015. Going forward, the Group will fully leverage its management resources to develop its conventional long-term care service operations while also creating new hybrid services by fusing security services and long-term care.

#### Analysis of Individual Items

In the year under review, net sales increased ¥16,068 million, or 4.4%, year on year, to ¥381,818 million.

Cost of sales was ¥282,880 million, primarily due to a ¥3,978 million increase in labor costs and a ¥5,601 million increase in miscellaneous expenses.

Selling, general and administrative expenses amounted to ¥69,901 million due to a ¥1,053 million increase in salaries and allowances.

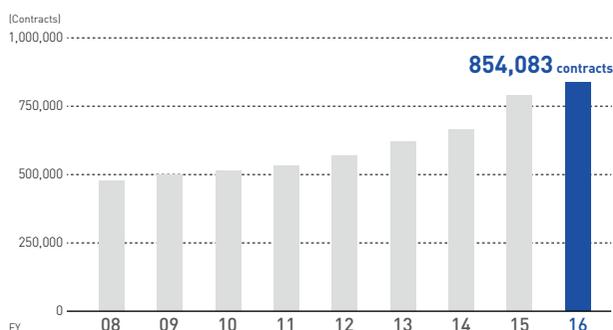
Ordinary income rose ¥5,966 million, or 24.2%, to ¥30,667 million.

Extraordinary income was up due to a ¥58 million increase in gain on sales of investment securities and a ¥19 million increase in compensation income.

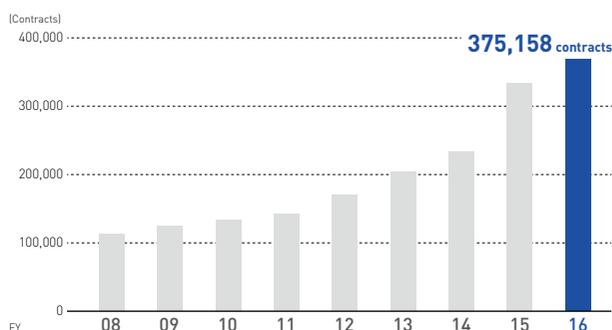
Extraordinary loss rose as a result of a ¥75 million increase in impairment loss.

Profit attributable to owners of parent increased ¥4,334 million, or 32.0%, to ¥17,868 million.

#### Number of Electronic Security Services Contracts



#### Number of Contracts for Individual Users



### Forecast for the Fiscal Year Ending March 31, 2017

In the fiscal year ending March 31, 2017, the benefits of various government measures will be felt in the Japanese economy.

However, we will need to remain wary of the opaque nature of overseas markets as well as developments in the financial market and trends in corporate business confidence.

In the security industry, traditional security needs will remain present. At the same time, we expect to see expanding business opportunities resulted from the accelerated development of both tangible and intangible social infrastructure as part of post-earthquake reconstruction efforts, national resilience improvement plans, and preparations for large-scale events. However, intensified competition, due in part to decreases in earnings among financial institutions resulted from Japan's negative interest rate policy, is forecast to create a harsh operating environment for the security industry during the fiscal year ending March 31, 2017. Success under these difficult conditions will require that we promote the further differentiation of our products and services.

ALSOK has always been a company that protects the bodies, lives, and assets of its customers, and it has continued to build upon its security services track record since its establishment. In addition to growing its security services operations, the entire Group will actively develop businesses in peripheral fields going forward as it creates products and services that live up to customer expectations and improve its business performance.

In the fiscal year ending March 31, 2017, the ALSOK Group forecasts net sales of ¥425,000 million, up 11.3% year on year; operating income of ¥32,800 million, up 13.0%; ordinary income of ¥35,000 million, up 14.1%; and profit attributable to owners of parent of ¥22,000 million, up 23.1%, results that will be achieved through the implementation of initiatives such as those described above.

## Financial Position

### Assets

Total assets at the end of the year under review decreased ¥24,301 million, or 6.5%, from the previous fiscal year-end, to ¥349,561 million. Total current assets decreased ¥22,432 million, or 10.7%, to ¥188,013 million, and total noncurrent assets decreased ¥1,869 million, or 1.1%, to ¥161,548 million.

The ¥22,432 million decrease in current assets was primarily due to a ¥3,363 million decrease in cash and deposits, and a ¥23,617 million decrease in cash for Transportation Security Services, which offset a ¥1,623 million increase in notes and accounts receivable-trade.

The ¥1,869 million decrease in noncurrent assets was mainly attributable to a ¥1,022 million decrease in goodwill and a ¥9,173 million decrease in net defined benefit asset, which offset a ¥4,175 million increase in buildings and structures, net and a ¥5,222 million increase in deferred tax assets.

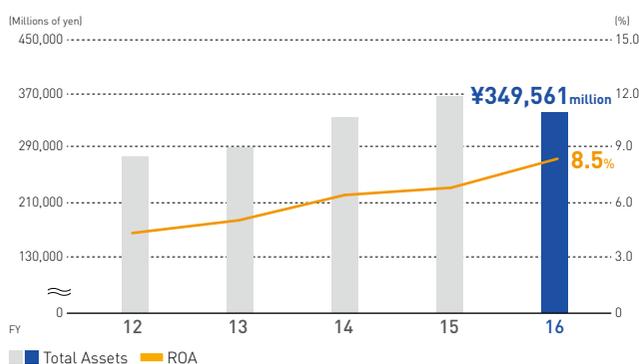
### Liabilities

Total liabilities at the end of the year under review decreased ¥25,560 million, or 15.1%, from the previous fiscal year-end, to ¥143,939 million. Total current liabilities decreased ¥43,242 million, or 33.1%, to ¥87,222 million, and total noncurrent liabilities increased ¥17,681 million, or 45.3%, to ¥56,717 million.

The ¥43,242 million decrease in current liabilities was a result of factors such as a ¥38,415 million decrease in short-term loans payable and a ¥5,501 million decrease in accrued consumption taxes.

The ¥17,681 million increase in noncurrent liabilities was due to a ¥10,013 million increase in long-term loans payable and a ¥5,725 million increase in net defined benefit liability.

### Total Assets / ROA



### Total Net Assets / ROE



### Net Assets

Total net assets at March 31, 2016, were up ¥1,258 million, or 0.6%, from the previous fiscal year-end, to ¥205,622 million.

### Cash and Cash Equivalents

The balance of cash and cash equivalents (hereafter referred to as "cash") at March 31, 2016, was ¥35,630 million, down from ¥37,976 million at March 31, 2015. This decrease was because net cash provided by operating activities was ¥19,678 million, net cash used in investing activities was ¥12,808 million, and net cash used in financing activities was ¥9,176 million.

### Cash flows from operating activities

As a result of our operating activities in the year under review, net cash provided by operating activities increased 0.1% year on year, to ¥19,678 million. Principal items increasing cash included ¥30,682 million in income before income taxes, an increase of 24.5% year on year, and ¥12,109 million in depreciation and amortization, an increase of 6.9%. Conversely, major items decreasing cash included ¥3,538 million in decrease in assets and liabilities for Transportation Security Services, a decrease of 69.6%; ¥8,378 million in income taxes paid, a decrease of 2.3%; and ¥2,083 million in increase in net defined benefit asset, an increase of 5.8%.

Increase (decrease) in assets and liabilities for Transportation Security Services includes the increases and decreases in funds procured for transportation security services that are included in cash for Transportation Security Services and short-term loans payable.

### Cash flows from investing activities

Net cash used in investing activities in the year under review was ¥12,808 million, a 47.3% year-on-year decrease. The primary factors were ¥13,736 million in purchase of property, plant and equipment, up 13.0% from the previous fiscal year, and ¥2,692 million in purchase of investment securities, up 192.9%.

### Cash flows from financing activities

Net cash used in financing activities was ¥9,176 million, compared with net cash provided by financing activities of ¥6,596 million in the previous fiscal year. Principal items increasing cash included ¥12,690 million in proceeds from long-term loans payable, a year-on-year increase of 1,279.3%. Conversely, major items decreasing cash included ¥10,900 million in net decrease in short-term loans payable, compared with net increase in short-term loans payable of ¥15,802 million in the previous fiscal year; ¥4,071 million in cash dividends paid, an increase of 15.7%; and ¥3,519 million in repayment of long-term loans payable, an increase of 2.1%.

### Dividend Policies

The ALSOK Group considers the return of earnings to shareholders to be a top management priority, and its basic policy is to distribute profits to shareholders based on its operating results while fortifying internal reserves. The Group uses internal reserves for investments in R&D required for future growth and development, qualitative upgrades to information systems, and capital investment for new businesses as it works to improve corporate value.

Also, it is the policy of the ALSOK Group to issue dividends from retained earnings twice a year as interim and year-end dividends. The year-end dividend is decided at the General Shareholders' Meeting, while the interim dividend is decided by the Board of Directors.

Accordingly, for the fiscal year ended March 31, 2016, in consideration of results in the year under review, results forecasts for the current fiscal year, and capital investment plans, the Company paid an annual dividend of ¥50.00 per share, including an interim dividend of ¥20.00 per share, for a consolidated payout ratio of 28.1%.

### Risk Information

In relation to the ALSOK Group's business and accounting circumstances, the following items can potentially have significant effects on the judgment of investors. Future-related information mentioned below was deemed appropriate by the Group as of June 24, 2016, the date on which the 51th Securities Report was filed.

#### 1. Sales Depending on a Specific Business Sector

Sales from the financial institutions sector accounted for over 20% of the Group's total sales in the fiscal year ended March 31, 2016. Consequently, trends in the economic environment surrounding financial institutions, including the possible cancellations of existing security service contracts due to the elimination or consolidation of branch locations, can have a considerable effect on the Group's operating performance. Therefore, the Group will continue to aggressively advance sales promotion toward other business sectors in order to find new clients as well as maintain and develop the firm relationship with existing clients in the financial institutions sector.

#### 2. Electronic Security Services Business

Of the Group's total sales, 43.8% are dependent on the Electronic Security Services business. The effective operation of the Electronic Security Services business requires continuous capital investment for structuring and maintaining operational infrastructures such as the preparation of Guard Centers and depots, vehicles for Electronic Security Services and communication systems, as well as personnel expenses for Guard Center staff and security staff. Should the Group fail to enter into a certain volume of Electronic Security Services contracts due to any of a wide range of factors associated with the Group's Electronic Security Services business, the Group's operating performance can be affected. Therefore, we have tried to diversify our business so that we can minimize business risks.

### 3. Cash for Transportation Security Services

The Group uses its own funds or funds financed through overdrafts as cash to be used in the CD machines installed by the subsidiaries of financial institutions in their business partners' stores and offices or cash used to deposit advances for Cash Deposit Machine On-line System contracts. For this reason, should there be an increase in interest rates associated with cash procured for these purposes, the Group's operational performance could be adversely affected. Consequently, the Group must renegotiate the pricing conditions defined in contracts between the Group and its clients. Furthermore, the Company has subscribed to cash securities transport insurance to cover any damage or loss that may occur during the transportation or storage of such cash.

### 4. Dependency on a Specific Equipment Supplier

The Group mostly depends on specific companies for development and provision of the center equipment installed in the Guard Centers. Should any difficulty arise in the provision of such center equipment due to natural disasters or other reasons, the normal operation of the Guard Centers could be affected. As for provision involving the center equipment as well as main equipment used for the offer of Electronic Security Services, the Group enters into a master agreement for commodity purchases to provide for anticipated quantities of items. Furthermore, the Group holds certain levels of spare items for maintenance to allow for emergencies.

### 5. Adaptation to Changes in the Technological Environment

The development of security-related equipment and the adoption of state-of-the-art ICT technologies are indispensable to the Group's adequate provision of security services, since we need to deal with "increasingly complicated and heinous crimes," "expansion in crime fields such as cyberattacks, etc.," "obsolescence of existing facilities due to the sophistication of information communication infrastructures," and "advances in a wide range of operations applying ICT technology". Should our adaption to technological progress fall behind the changes in the technological environment, the Group's operating performance could be negatively affected. Therefore, the ALSOK Group continues to make efforts in the development of security-related equipment and advanced ICT technologies principally in the R&D Department of the Group. At the same time, we work to avoid risk by staying abreast of the latest technology trends in communications, devices and, other technologies.

### 6. Management of Client Information

In order to conclude a security service contract with clients, the Group obtains a significant amount of information about them including their names, addresses and phone numbers of related parties, as well as various information about the clients' premises where security services are to be provided, and utilizes that essential information for the execution of security services and business activities. If any problem, whether inevitable or not, should arise,

the Group may suffer for unfavorable reputation and legal claim for damages. We, therefore, manage client information properly through employee education and careful observation of subcontractors. These measures enable us to avoid leaking, losing, and deleting personal information. As a further precaution, the ALSOK Group has Leakage of Personal Information Insurance, which covers all Group companies.

### 7. Ensuring Human Resources

In recent years, Japanese society has been rapidly aging due to a combination of extended average life expectancy and a plunge in the birthrate. Although it can be anticipated that these trends will lead to a rise in the need for ALSOK's security services, it could become more difficult to recruit younger workers in this labor-intensive industry. We established a recruitment association with the aim of strengthening the cooperative structure in recruitment of the Group companies. We also established a company to re-employ experienced retired workers to secure high-quality labor as a group whole. In addition, we correspond to demands such as applicants of homecoming as possible and will keep the environment for employees to continuously work in the Group. Furthermore we established a new company which reemploys experienced retired workers for the purpose of securing a high-quality labor force. In addition, formulation for more efficient operational structure is in progress by the introduction of security services and security robots which utilize ICT.

### 8. Legal Restrictions

In order to provide our clients with various security and other services, the Group is subject to a variety of legal restrictions, including major ones stated in the table below. Should any of these legal restrictions be amended or abolished, or any new legal provisions established, the Group's operating performance could be affected.

### 9. Measures in Relation to Natural and Other Disasters

In the event in which unprecedented natural disaster were to occur, normal signal transmission / reception from / to the clients would become unavailable, causing serious difficulties such as the suspension of our security services. In such cases, the resulting claims for damages and the decline in public trust of the Group could affect the operating performance and future business development of the Group. In addition, the Group may be compelled to pay huge expenses to recover damaged Guard Centers and other facilities. The Group has made backups for the Guard Centers through the Support Center to prepare for damage caused by natural disaster as a business continuity plan (BCP) of security system. Moreover, the Group established system servers, which receive a security alarm signal from throughout Japan, in two Network Centers and make a backup system according to the priority. Preparing for major wide-area natural disaster, the Group will reduce risk by taking measures for each stage.

#### 10. Risk of Massive Disasters

Should a major earthquake occur, or there be wind and flood damage, and following disasters such as long-term power failure occur, the Group's networks or other operational infrastructure could stop functioning, which may disrupt its ability to provide security and other services. Moreover, such disasters could damage the Group's assets, such as security equipment located on clients' premises, forcing the Group to repair or replace those assets. As a result, the Group's operating performance or financial position could be adversely affected. Therefore, the Group has developed a number of precautionary measures based on its wealth of security-related experience and expertise. It has formulated disaster response rules in accordance with disaster response

regulations, established a BCP and other response manuals, stockpiled necessary disaster prevention items, and developed a flexible nationwide response network. It also conducts periodic disaster prevention training and education and other precautionary measures. As an approach to not let the ATMs suspend operation if at all possible in the event of natural disaster, we obtained ISO 22301 certification in March 20, 2014. This will be the nation's first as a security service targeting at Transportation Security Services which charges cash for ATMs the ALSOK Group manages and trouble-shooting operation for ATMs. Hereafter, the Group will enhance the structure and contribute to the preservation of social infrastructure.

Major Operation	Relevant Laws	Competent Authorities, etc.
Electronic Security Services Stationed Security Services Transportation Security Services	Security Business Law / Road Traffic Law	National Public Safety Commission
	Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors	Japan Fair Trade Commission, Small and Medium Enterprise Agency
	Telecommunications Business Law / Radio Law	Ministry of Internal Affairs and Communications
Electronic Security Services General Property Management and Fire Protection Services	Construction Business Act	Ministry of Land, Infrastructure, Transport and Tourism
	Act on Ensuring Fair Electric Business Practices	Ministry of Economy, Trade and Industry
Electronic Security Services	Electrical Appliance and Material Safety Act	Ministry of Economy, Trade and Industry
	The Specified Commercial Transaction Act	Ministry of Economy, Trade and Industry / Consumer Affairs Agency
	Consumer Contract Act	Consumer Affairs Agency
Transportation Security Services, Long-term Care, and Other Services	Truck Transport Business Law / Freight Forwarding Business Law / Road Trucking Vehicle Law	Ministry of Land, Infrastructure, Transport and Tourism
Transportation Security Services	Warehousing Business Law	Ministry of Land, Infrastructure, Transport and Tourism
Stationed Security Services	Act on Penal Detention Facilities and Treatment of Inmates and Detainees	Ministry of Justice
	Act on Special Districts for Structural Reform	Cabinet Office
General Property Management and Fire Protection Services	Fire and Disaster Management Act	Ministry of Internal Affairs and Communications
	Fire Prevention Ordinance	Each municipality
	Pharmaceutical and Medical Device Act / Act on Maintenance of Sanitation in Buildings	Ministry of Health, Labour and Welfare
	Waste Disposal Act	Ministry of the Environment
	Building Lots and Buildings Transaction Business Law / Architect Act / Act on Advancement of Proper Condominium Management	Ministry of Land, Infrastructure, Transport and Tourism
Long-term Care and Other Services	Electricity Business Act / Law Concerning the Securing of Safety and the Optimization of Transaction of Liquefied Petroleum Gas	Ministry of Economy, Trade and Industry
	Correspondence Delivery Act	Ministry of Internal Affairs and Communications
	Worker Dispatching Act / Employment Security Act	Ministry of Health, Labour and Welfare
	Long-Term Care Insurance Act	Ministry of Health, Labour and Welfare / Each prefecture / Each municipality
	Insurance Business Law / Financial Instruments and Exchange Act / Act on Prevention of Transfer of Criminal Proceeds	Financial Services Agency
	Law About the Adequacy of Duties of the Detective Business	National Public Safety Commission
	Personal Information Protection Law	Consumer Affairs Agency / Ministry of Economy, Trade and Industry / National Public Safety Commission
	Act on Special Measures to Prevent and Correct Shift for Consumption Tax	Japan Fair Trade Commission / Small and Medium Enterprise Agency / Consumer Affairs Agency / National Public Safety Commission
Act Against Unjustifiable Premiums and Misleading Representations	Consumer Affairs Agency	

## Financial Section

### Consolidated Balance Sheets

Millions of yen

As of March 31, 2016 and 2015	2015	2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	46,113	42,750
Cash for Transportation Security Services	96,760	73,142
Notes and accounts receivable-trade	44,020	45,643
Lease receivables and investment assets	3,108	4,114
Short-term investment securities	861	419
Raw materials and supplies	4,759	6,150
Costs on uncompleted construction contracts	393	436
Advances paid	6,301	6,030
Deferred tax assets	1,868	1,880
Other	6,502	7,682
Allowance for doubtful accounts	(243)	(236)
<b>Total current assets</b>	<b>210,445</b>	<b>188,013</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	42,599	47,269
Accumulated depreciation	(23,758)	(24,252)
Buildings and structures, net	18,840	23,016
Machinery, equipment and vehicles	124,784	127,800
Accumulated depreciation	(106,286)	(108,573)
Machinery, equipment and vehicles, net	18,498	19,227
Land	23,219	23,180
Lease assets	11,063	13,394
Accumulated depreciation	(6,126)	(6,712)
Lease assets, net	4,937	6,682
Construction in progress	2,712	1,274
Other	13,310	14,340
Accumulated depreciation	(9,814)	(10,381)
Other, net	3,495	3,958
<b>Total property, plant and equipment</b>	<b>71,704</b>	<b>77,340</b>
<b>Intangible assets</b>		
Software	4,192	4,033
Goodwill	11,172	10,149
Other	1,489	1,210
<b>Total intangible assets</b>	<b>16,853</b>	<b>15,394</b>
<b>Investments and other assets</b>		
Investment securities	38,629	37,633
Long-term loans receivable	395	350
Lease and guarantee deposits	8,039	8,282
Insurance funds	2,053	1,955
Net defined benefit asset	9,514	341
Deferred tax assets	5,587	10,810
Other	11,192	9,788
Allowance for doubtful accounts	(552)	(347)
<b>Total investments and other assets</b>	<b>74,859</b>	<b>68,813</b>
<b>Total noncurrent assets</b>	<b>163,418</b>	<b>161,548</b>
<b>Total assets</b>	<b>373,863</b>	<b>349,561</b>

Millions of yen

As of March 31, 2016 and 2015	2015	2016
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	23,946	22,602
Short-term loans payable	59,538	21,122
Current portion of long-term loans payable	3,459	2,616
Current portion of bonds	64	64
Accounts payable-other	15,680	15,357
Lease obligations	2,775	3,192
Income taxes payable	4,232	6,188
Accrued consumption taxes	8,544	3,043
Provision for bonuses	1,460	1,470
Provision for directors' bonuses	186	137
Deferred tax liabilities	0	2
Other	10,576	11,424
<b>Total current liabilities</b>	<b>130,464</b>	<b>87,222</b>
<b>Noncurrent liabilities</b>		
Bonds payable	115	51
Long-term loans payable	1,915	11,928
Lease obligations	5,832	8,235
Deferred tax liabilities	615	332
Deferred tax liabilities for land revaluation	332	314
Net defined benefit liability	25,484	31,210
Provision for directors' retirement benefits	1,725	1,669
Asset retirement obligations	68	75
Other	2,946	2,900
<b>Total noncurrent liabilities</b>	<b>39,035</b>	<b>56,717</b>
<b>Total liabilities</b>	<b>169,500</b>	<b>143,939</b>

<b>Net Assets</b>		
<b>Shareholders' equity</b>		
Capital stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	130,753	144,551
Treasury stock	(1,989)	(1,991)
<b>Total shareholders' equity</b>	<b>179,557</b>	<b>193,352</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	8,235	6,570
Revaluation reserve for land	(5,293)	(5,286)
Foreign currency translation adjustment	173	113
Remeasurements of defined benefit plans, net of tax	(1,725)	(13,309)
<b>Total valuation and translation adjustments</b>	<b>1,389</b>	<b>(11,912)</b>
Non-controlling interest	23,415	24,182
<b>Total net assets</b>	<b>204,363</b>	<b>205,622</b>
<b>Total liabilities and net assets</b>	<b>373,863</b>	<b>349,561</b>

## Financial Section

# Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

## Consolidated Statements of Income

Millions of yen

Fiscal years ended March 31, 2016 and 2015	2015	2016
Net sales	365,749	381,818
Cost of sales	276,116	282,880
Gross profit	89,632	98,937
Selling, general and administrative expenses	66,660	69,901
Operating income	22,971	29,036
Non-operating income		
Interest income	249	209
Dividends income	548	617
Gain on sales of investment securities	159	24
Rent income	247	263
Gain from insurance claim	89	63
Equity in earnings of affiliates	641	790
Amortization of negative goodwill	60	—
Penalty income	268	358
Other	952	739
Total non-operating income	3,217	3,066
Non-operating expenses		
Interest expenses	689	652
Loss on sales of investment securities	0	7
Loss on retirement of noncurrent assets	228	217
Financing expenses	290	297
Other	279	260
Total non-operating expenses	1,488	1,436
Ordinary income	24,700	30,667
Extraordinary income		
Gain on sales of investment securities	2	60
Compensation income	13	33
Total extraordinary income	16	93
Extraordinary loss		
Loss on valuation of investment securities	49	2
Impairment loss	0	75
Loss on extinguishment of tie-in shares	13	—
Total extraordinary loss	63	77
Income before income taxes	24,653	30,682
Income taxes—current	8,653	10,429
Income taxes—deferred	1,127	855
Total income taxes	9,780	11,284
Net income	14,872	19,398
Profit attributable to non-controlling interest	1,337	1,529
Profit attributable to owners of parent	13,534	17,868

## Consolidated Statements of Comprehensive Income

Millions of yen

Fiscal years ended March 31, 2016 and 2015	2015	2016
Net income	14,872	19,398
Other comprehensive income		
Valuation difference on available-for-sale securities	2,413	(1,787)
Revaluation reserve for land	33	17
Foreign currency translation adjustment	29	(23)
Remeasurements of defined benefit plans, net of tax	4,416	(11,742)
Share of other comprehensive income (loss) of associates accounted for using equity method	335	(111)
Total other comprehensive income (loss)	7,228	(13,648)
Comprehensive income	22,100	5,749
(Contents)		
Comprehensive income attributable to owners of parent	20,400	4,566
Comprehensive income attributable to non-controlling interest	1,700	1,183

## Consolidated Statements of Changes in Net Assets

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2014	18,675	32,117	114,961	(1,988)	163,766
Cumulative effects of changes in accounting policies			5,776		5,776
Balance at the beginning of current period reflecting changes in accounting policies	18,675	32,117	120,738	(1,988)	169,542
Changes of items during the period					
Dividends from surplus			(3,518)		(3,518)
Profit attributable to owners of parent			13,534		13,534
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
<b>Total changes of items during the period</b>	<b>—</b>	<b>—</b>	<b>10,015</b>	<b>(0)</b>	<b>10,015</b>
Balance as of March 31, 2015	18,675	32,117	130,753	(1,989)	179,557

	Valuation and translation adjustments					Non-controlling interest	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total valuation and translation adjustments		
Balance as of April 1, 2014	5,969	(5,343)	46	(6,148)	(5,475)	21,914	180,205
Cumulative effects of changes in accounting policies						190	5,966
Balance at the beginning of current period reflecting changes in accounting policies	5,969	(5,343)	46	(6,148)	(5,475)	22,104	186,171
Changes of items during the period							
Dividends from surplus							(3,518)
Profit attributable to owners of parent							13,534
Purchase of treasury stock							(0)
Net changes of items other than shareholders' equity	2,266	49	126	4,423	6,865	1,311	8,176
<b>Total changes of items during the period</b>	<b>2,266</b>	<b>49</b>	<b>126</b>	<b>4,423</b>	<b>6,865</b>	<b>1,311</b>	<b>18,192</b>
Balance as of March 31, 2015	8,235	(5,293)	173	(1,725)	1,389	23,415	204,363

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2015	18,675	32,117	130,753	(1,989)	179,557
Cumulative effects of changes in accounting policies					—
Balance at the beginning of current period reflecting changes in accounting policies	18,675	32,117	130,753	(1,989)	179,557
Changes of items during the period					
Dividends from surplus			(4,071)		(4,071)
Profit attributable to owners of parent			17,868		17,868
Purchase of treasury stock				(2)	(2)
Net changes of items other than shareholders' equity					
<b>Total changes of items during the period</b>	<b>—</b>	<b>—</b>	<b>13,797</b>	<b>(2)</b>	<b>13,794</b>
Balance as of March 31, 2016	18,675	32,117	144,551	(1,991)	193,352

	Valuation and translation adjustments					Non-controlling interest	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total valuation and translation adjustments		
Balance as of April 1, 2015	8,235	(5,293)	173	(1,725)	1,389	23,415	204,363
Cumulative effects of changes in accounting policies							—
Balance at the beginning of current period reflecting changes in accounting policies	8,235	(5,293)	173	(1,725)	1,389	23,415	204,363
Changes of items during the period							
Dividends from surplus							(4,071)
Profit attributable to owners of parent							17,868
Purchase of treasury stock							(2)
Net changes of items other than shareholders' equity	(1,665)	7	(59)	(11,584)	(13,302)	766	(12,535)
<b>Total changes of items during the period</b>	<b>(1,665)</b>	<b>7</b>	<b>(59)</b>	<b>(11,584)</b>	<b>(13,302)</b>	<b>766</b>	<b>1,258</b>
Balance as of March 31, 2016	6,570	(5,286)	113	(13,309)	(11,912)	24,182	205,622

## Financial Section

### Consolidated Statements of Cash Flows

Millions of yen

Fiscal years ended March 31, 2016 and 2015	2015	2016
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	24,653	30,682
Depreciation and amortization	11,331	12,109
Impairment loss	0	75
Amortization of goodwill	768	1,098
Amortization of negative goodwill	(60)	—
Increase (decrease) in allowance for doubtful accounts	(281)	(210)
Increase (decrease) in net defined benefit liability	213	(25)
Increase (decrease) in provision for bonuses	(246)	10
Increase (decrease) in provision for directors' bonuses	(54)	(49)
Interest and dividends income	(797)	(827)
Interest expenses	689	652
Equity in (earnings) losses of affiliates	(641)	(790)
Loss (gain) on sales of noncurrent assets	1	(1)
Loss (gain) on retirement of noncurrent assets	228	217
Loss (gain) on sales of investment securities	(161)	(77)
Loss (gain) on valuation of investment securities	49	2
Loss (gain) on valuation of derivatives	(105)	10
Decrease (increase) in notes and accounts receivable–trade	(5,391)	(1,640)
Decrease (increase) in inventories	(348)	(1,451)
Increase (decrease) in notes and accounts payable–trade	2,676	(1,425)
Decrease (increase) in net defined benefit asset	(1,970)	(2,083)
Decrease (increase) in assets and liabilities for Transportation Security Services	(11,624)	(3,538)
Other	8,953	(5,028)
<b>Subtotal</b>	<b>27,884</b>	<b>27,711</b>
Interest and dividends income received	953	988
Interest expenses paid	(698)	(653)
Income taxes paid	(8,573)	(8,378)
Income taxes refunded	100	11
<b>Net cash provided by (used in) operating activities</b>	<b>19,666</b>	<b>19,678</b>
<b>Net cash provided by (used in) investing activities</b>		
Decrease (increase) in time deposits	(498)	1,066
Purchase of property, plant and equipment	(12,153)	(13,736)
Proceeds from sales of property, plant and equipment	2	69
Purchase of investment securities	(919)	(2,692)
Proceeds from sales of investment securities	1,357	1,770
Purchase of investments in subsidiaries	(498)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(11,435)	—
Decrease (increase) in short-term loans receivable	(12)	(28)
Payments of long-term loans receivable	(102)	(41)
Collection of long-term loans receivable	133	86
Other	(168)	697
<b>Net cash provided by (used in) investing activities</b>	<b>(24,295)</b>	<b>(12,808)</b>
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	15,802	(10,900)
Proceeds from long-term loans payable	920	12,690
Repayment of long-term loans payable	(3,447)	(3,519)
Redemption of bonds	(57)	(64)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(2,700)	(2,903)
Cash dividends paid	(3,518)	(4,071)
Cash dividends paid to non-controlling interest	(401)	(406)
<b>Net cash provided by (used in) financing activities</b>	<b>6,596</b>	<b>(9,176)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>40</b>	<b>(38)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,007</b>	<b>(2,345)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>35,791</b>	<b>37,976</b>
<b>Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries</b>	<b>177</b>	<b>—</b>
<b>Cash and cash equivalents at end of period</b>	<b>37,976</b>	<b>35,630</b>

**Corporate Information**

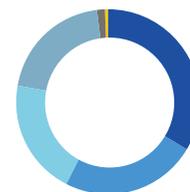
Corporate Name	SOHGO SECURITY SERVICES CO., LTD.
Head Office	1-6-6 Motoakasaka, Minato-ku, Tokyo 107-8511, Japan
Established	July 16, 1965
Capital	¥18,675 million
Fiscal Year-End	March 31
Employees	(Consolidated) 31,446 (Non-consolidated) 12,290
Business Operations	Head office / 10 Headquarters / 65 Branches / 38 Offices / 244 Sales offices

**Stock Information**

Total Number of Shares Authorized	300,000,000
Number of Shares Issued	102,040,042 (including 1,506,740 shares of treasury stock)
Number of Shareholders at the End of the Preceding Fiscal Period	10,091
Stock Listing	First Section of Tokyo Stock Exchange
Securities Code	2331
Minimum Trading Lot	100

**Distribution of Shares by Shareholder Type**

Financial Institutions	33.7%
Domestic Corporations	24.0%
Individuals and Other	20.2%
Foreign Investors	20.2%
Treasury Stock	1.5%
Securities Companies and Other	0.4%

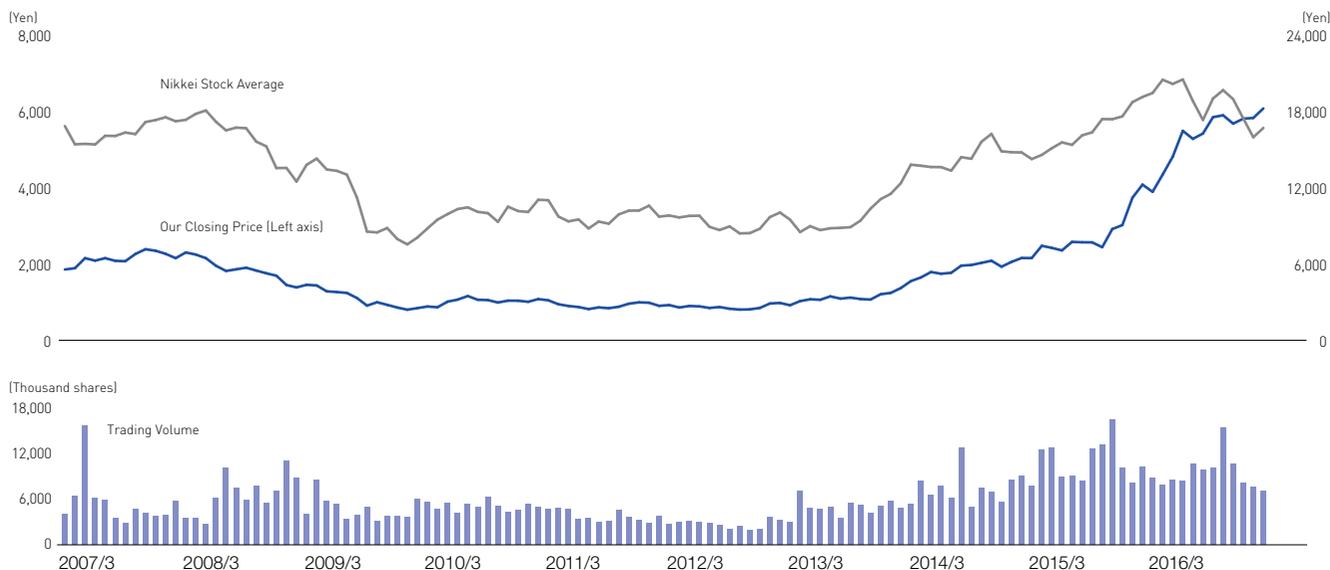


**Major Shareholders (Top 10)**

Name	Number of Shares Held (Thousand shares)	Controlling Share (%)
SOHGO CORPORATION	7,388	7.34
Saitama Machinery Co., Ltd.	5,283	5.25
Employees Shareholding Association	4,853	4.82
Trust & Custody Services Bank, Ltd. (as trustee for Mizuho Bank Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	4,261	4.23
Kamakura Corporation	4,150	4.12
Japan Trustee Services Bank, Ltd. (Trust account)	3,763	3.74
Sompo Japan Nipponkoa Insurance Inc.	3,441	3.42
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,420	3.40
Atsushi Murai	2,985	2.96
Kizuna Corporation	2,950	2.93

\* Treasury stock (1,506,740 shares) has been excluded.

**Stock Chart**



**ALSOK becomes a Tokyo 2020 official partner**

In October 2015, ALSOK concluded an agreement with the Tokyo Organising Committee of the Olympic and Paralympic Games to become a Tokyo 2020 Official Partner in the category of "Security Services and Planning."

The Company has long contributed to the promotion of sports in Japan by producing many of the athletes that have represented the country in such Olympic sports as judo and wrestling. Leading up to Olympic and Paralympic Games Tokyo 2020, we will continue to support the efforts of our athletes. During the event itself, we will contribute to the event's success through rigorous security provided by an all-Japanese team.





SOHGO SECURITY SERVICES CO., LTD.

1-6-6 Motoakasaka, Minato-ku,  
Tokyo 107-8511, Japan  
<http://www.alsok.co.jp/en/>

**IR Office** TEL +81-3-3423-2331  
FAX +81-3-3470-1565

**CSR Office** TEL +81-3-3470-1972  
FAX +81-3-5411-1636

#### NINE CONSECUTIVE YEARS OF INCLUSION IN PRINCIPAL SRI INDEX

Since 2007, ALSOK has been selected for inclusion in the FTSE4Good Global Index, a socially responsible investment (SRI) index. We believe this continued inclusion reflects recognition of ALSOK's active engagement in CSR activities.



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