

# ALSOK REPORT 2019

Fiscal Year Ended March 31, 2019



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 Guidelines

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

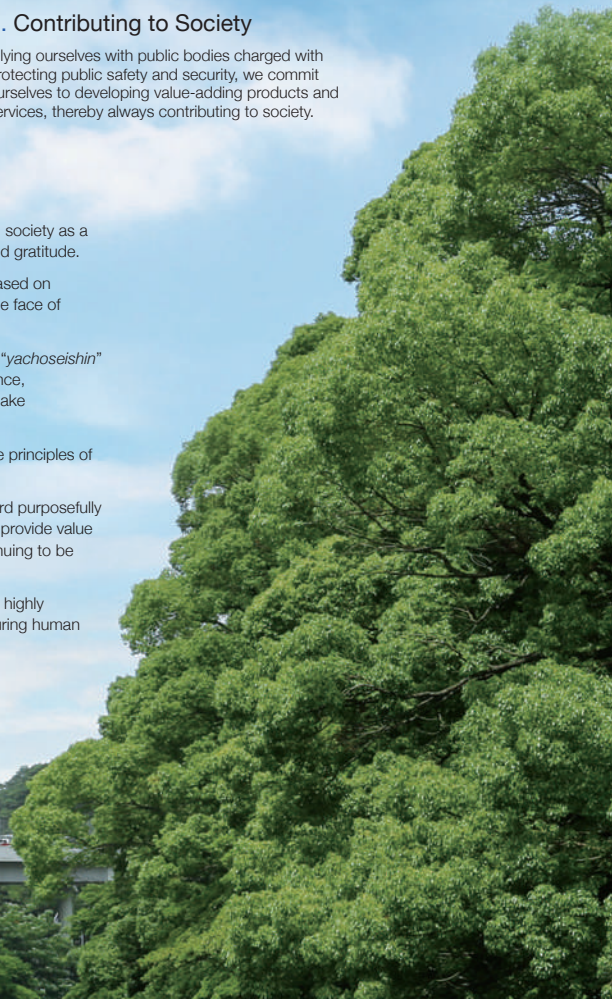
While security services remain at the heart of our business, as our basic strategy, we also seek to offer a diverse range of products and services in new fields to satisfy the needs of the everchanging times.

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 “*yachoseishin*” (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.



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# Value That the ALSOK Group Needs to Provide to Society

ALSOK was founded in 1965, led by the experience of the founder who was deeply involved in the operations of the 1964 Tokyo Olympic Games in the previous year. ALSOK's founding Management Philosophy of providing impeccable security with "arigato no kokoro" (a feeling of gratefulness and gratitude) and "bushi no seishin" (a samurai spirit) as set out in the ALSOK Charter has been passed down across generations among all ALSOK Group employees.

In recent years, threats facing society are growing more diverse as exemplified by, among others, crimes preying on children, senior citizens, etc., international terrorism, and natural disasters. As a security services company responsible for a critical component of social infrastructure supporting the safety of society, we devote ourselves to the sustainable creation of corporate value and further ensuring the safety and security of people who live in society.

With the Olympic and Paralympic Games Tokyo 2020 within sight, we consider it as an opportunity to reaffirm our founding philosophy and aim to put all our efforts into fulfilling our responsibility as a co-representative of the Olympic and Paralympic Games Tokyo 2020 Security Consortium and contributing to achieving a safe and secure event through concerted efforts of the industry.

Chairman and Representative Director  
Chief Executive Officer (CEO)

## Atsushi Murai



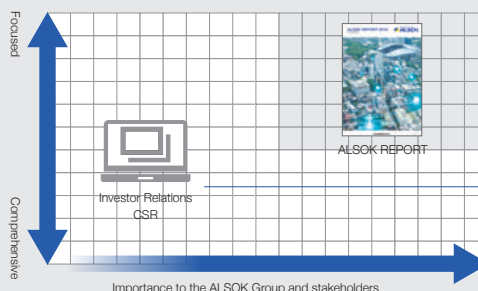
### Editorial Policy

ALSOK REPORT 2019 has been constructed as an integrated report that compiles financial information on the Company's performance, business operations, and strategies as well as non-financial information on its corporate social responsibility (CSR) activities and other topics with the aim of obtaining the opportunity to deepen our engagement with shareholders, investors, and other stakeholders. In addition to describing the state of management from an economic perspective, this report also explains the ALSOK Group's environmental, social, and governance (ESG) initiatives as well as the various CSR activities the Group carries out to contribute to the international society's drive to achieve the United Nations' Sustainable Development Goals (SDGs), along with the Group's approach to achieving growth through sustainable value creation and its business structure that supports medium- to long-term management, business strategies, and growth.

Data and more detailed information on corporate activities that were not included in this report are available on the Company's corporate website.

### Reporting Media

The Company provides reports in the forms of a pamphlet and a website, making full use of characteristics of the respective media. In the pamphlet version, items are narrowed down to those of higher importance or with greater interest among readers and the explanations on them are provided in a manner that is easy to read and understand. Meanwhile, the website version comprehensively includes financial information and the initiatives related to CSR and other matters in general.



### Information for Shareholders and Other Investors

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

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



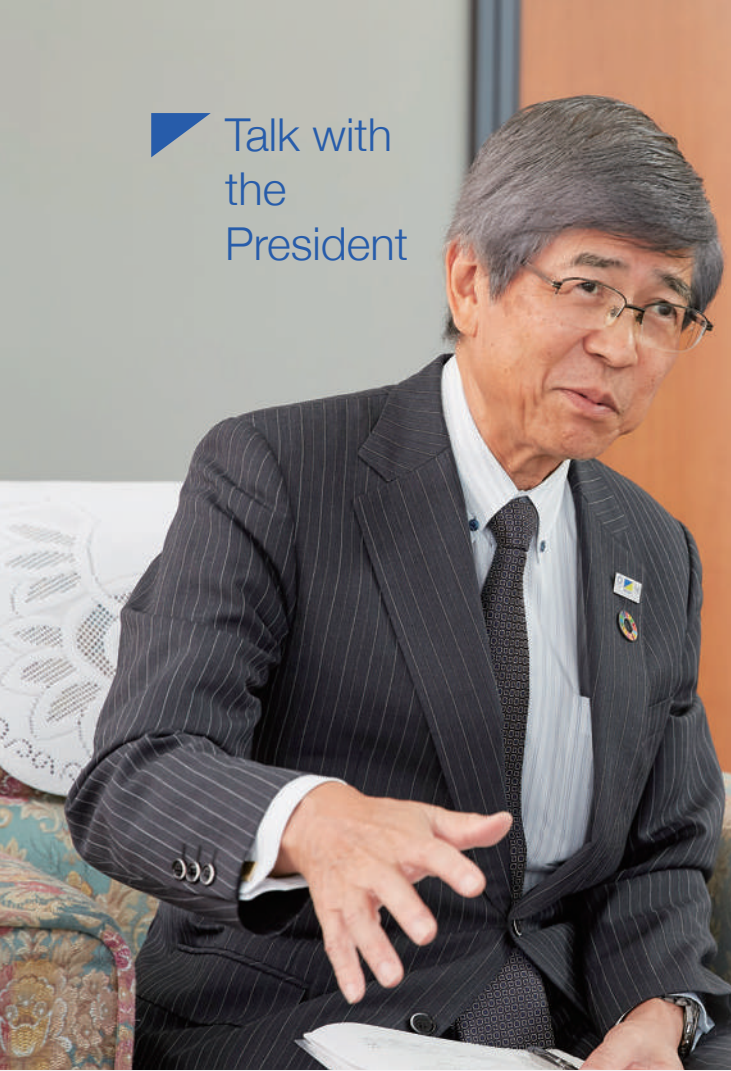
### CSR and Social Contribution Activities

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.

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



Talk with  
the  
President



President and Representative Director  
Chief Operating Officer (COO)

**Yukiyasu  
Aoyama**

**CROSS**

Profile

March	1975	Graduated from the University of Tokyo, Faculty of Law	July	2002	Director-General, Yokohama Customs
April	1975	Joined the Ministry of Finance	July	2003	Counselor and Deputy Director-General of the Customs and Tariff Bureau of the Minister's Secretariat
	1980	District Director of the Itako Tax Office	December	2005	Visiting Professor at the University of Tokyo
July	1992	Visiting Researcher at the University of Oxford	July	2006	Director-General, Customs and Tariff Bureau
July	1993	Director, Minister's Secretariat and Research and Planning Division, Minister's Secretariat	July	2008	Retired from the post
July	1994	Deputy Commissioner (Large Enterprise Examination and Criminal Investigation), Tokyo Regional Taxation Bureau	August	2008	Joined the Company as Senior Executive Officer
August	1995	Chief of the Wakayama Prefectural Police	June	2009	Executive Vice President and Representative Director
June	2000	Director of the Planning and Coordination Division, Planning and Coordination Bureau, Environment Agency	April	2010	Senior Executive Vice President and Representative Director
			April	2012	President and Representative Director (Current)

# For **ALSOK** to Continue to be a **Company Needed by Society**

We have invited Mr. Mitsumaru Kumagai, Chief Economist and Executive Managing Director, Deputy Head of Research Division of Daiwa Institute of Research Ltd., to seek his opinion on perspectives that ALSOK needs to have to continue to achieve sustained growth, based on his deep knowledge of global as well as Japanese economic conditions.

Daiwa Institute of Research Ltd.  
Executive Managing Director,  
Deputy Head of Research Division  
Chief Economist

## TALK Mitsumaru Kumagai

### Profile

Mitsumaru Kumagai was born in 1966 and graduated from the University of Tokyo, Faculty of Law with a bachelor's degree in law in 1989 before he joined the Industrial Bank of Japan (currently Mizuho Bank) and worked in, among others, the Research Division of the Bank. He joined Daiwa Institute of Research in 2007 and has held the current position since 2018. He received his master's degree in law from the University of Tokyo, Graduate School for Law and Politics in 1993 (while he was dispatched from the Industrial Bank of Japan) and completed the Harvard Business School Advanced Management Program (AMP) in 2016. He has held a number of public positions including those at the Ministry of Finance, the Cabinet Secretariat, the Ministry of Internal Affairs and Communications, the Cabinet Office, and the House of Councillors. He also serves as the Director of the Keizai Doyukai (Japan Association of Corporate Executives) and the Chairman of its Business Conditions Research Committee. He is a regular commentator on TV Tokyo's World Business Satellite. He also appears frequently on NHK's Sunday Debate and Yomiuri TV's Wake Up Plus and is the author of many books.



## Changes in the Environment Surrounding ALSOK

**Aoyama:** ALSOK has continued to grow since its foundation under the philosophy that we want to protect the safety of Japan by Japanese hands. While the number of reported cases of crimes has decreased significantly from peak, various crimes that have never been seen before are now occurring, and in this situation, crime prevention measures just to prevent burglars from entering are not enough. We need to examine what kind of security services we should provide going forward from the perspective of crime deterrence. In addition, work-style reforms and the labor shortage problem as social phenomena have resulted in increases in outsourcing in various forms. The security services industry faces the same trend, and ALSOK must think about how to grapple with it. Japan also faces heaps of other issues including regional revitalization, declining birthrates and an aging population, the aging of facilities, building national resilience, and disaster countermeasures against earthquakes, typhoons, etc., and I think there is something that ALSOK can contribute in regard to all of these issues.

**Kumagai:** ALSOK has a very clear corporate core value: "To support safety and security for customers and society." All of its businesses are based on this value. It is clear, also from Tokyo's reputation as the safest city in the world as shown regularly in rankings given by economic magazines overseas, that safety

and security is a significant value in Japan. To protect safety and security means to protect the value of Japan. In this sense, we can see great social significance in ALSOK's businesses. As Mr. Aoyama has mentioned just now, we are seeing increasing diversity in those who and those that need to be guarded. With the advancement of global warming, it is now being accepted among people across the world as common sense that one needs to be prepared for natural disasters as a realistic risk. I had an impression that ALSOK continues to steadily expand the domain of its core value of safety and security in the current environment characterized by the frequent occurrence of new risks, such as international terrorism and cybercrime.

**Aoyama:** In the context of core value, safety and security of local communities continues to be our first priority. However, its contents have been changing. For example, our services are shifting from stationed security services to electronic security services. Our cash transportation services at first was just to ride together with the customer, but now our services include cash transportation by ourselves as well as safe management. These changes are the result of the expansion of the scope of our "safety and security." While it is difficult to prevent natural disasters from occurring, we can help minimize risks during and after such a disaster.



With a very clear corporate core value, ALSOK steadily responds to major trends of the times.

## Aims of Medium-Term Management Plan Grand Design 2020 and Expectations for the Future

**Aoyama:** As we are in a situation in which we must continue to change to keep pace with the changes in society and the economic environment, we have set forth a long-term target to achieve Group net sales of ¥1 trillion. And as an interim target to achieve the long-term target, we are currently pushing forward with the Medium-Term Management Plan Grand Design 2020 (GD2020), which is due in fiscal 2021. As customer needs are now highly diverse, as I mentioned earlier, we need not only to expand the scope of our business but also to upgrade its features. It is also essential for us to achieve synergy between Long-Term Care Services, which is our new business, and ALSOK's core security services and to secure human resources and promote labor saving as a foundation to support our business portfolio. Recognizing the importance of responding quickly to new challenges in such an ever-changing environment, we have formulated the current Medium-Term Management Plan accordingly.

**Kumagai:** I see that the current Medium-Term Management Plan is designed to help ALSOK respond aptly to major global trends, while steadfastly guarding its core business of providing integrated safety and security solutions. First of all, "diversity" is an essential keyword in formulating management plans and business plans for the future. The "Security + Equipment" initiative using AI and other technologies is also important for productivity improvement to counteract the progression of labor shortages, declining birthrates, and an aging population. Even larger changes are expected going forward, such as an increase in

foreign travelers visiting Japan as the government promotes Japan as a major tourist destination under its national policy, and I see that the Medium-Term Management Plan is well designed to respond to these changes.

**Aoyama:** The government and KEIDANREN (Japan Business Federation) are promoting the idea of Society 5.0. For ALSOK, embedding AI and IoT in Electronic Security Services is to aim to realize "ALSOK 5.0," which is the next development stage of security services that comes after Stationed Security Services and Electronic Security Services. We aim to be a company to always think about what can be done against various risks before and after the fact and to provide solutions in various forms, for example, by seeking collaboration with other companies to provide solutions that ALSOK cannot directly provide. I see this as a new form of security services company.

**Kumagai:** Another keyword is 5G. To realize 5G ahead of the rest of the world should be one of the major goals of Japan. I expect ALSOK to lead its evolution in the field of disaster prevention and mitigation.

**Aoyama:** We are currently pushing forward with various initiatives jointly with telecommunications companies based on the application of, for example, image data to crime prevention and disaster mitigation. We plan to proceed with such research actively going forward.

## Review of the Fiscal Year Ended March 31, 2019 and the Coming Olympic and Paralympic Games Tokyo 2020

**Aoyama:** The ALSOK Group posted net sales of ¥443,535 million (up 1.7% year on year) and operating income of ¥32,280 million (up 7.2% year on year), achieving record sales and profits. However, I regret to say that the results fell slightly short of the plan. In particular, Electronic Security Services did not grow as much as we expected, which indicates that we have not been able to respond to changes in social needs sufficiently yet. In any case, we have to raise our productivity dramatically amid the trends of labor shortages and work-style reforms. We aim to realize a virtuous cycle in which productivity improvements

will reduce cost and increase profit. We also expect the cashless trend to affect our existing Transportation Security Services, and ALSOK has become the only security services company to register as a cashless payment company, taking into consideration the major trends of the times and the convenience of settlement. I expect this to be an opportunity to provide a new form of safety and security from the perspective of settlement to not only foreign visitors to Japan but also small and medium-sized business operators both in Japan and overseas.

**Kumagai:** There is a theory called the “innovator’s dilemma,” and what I heard just now is exactly that ALSOK has overcome such a dilemma. Although Mr. Aoyama mentioned that the fiscal 2019 results fell short of the plan, sales growth for nine years in a row and growth of profit attributable to owners of parent for seven years in a row, which resulted in record sales and profits at each level, definitely indicate that social needs for the services that ALSOK provides are rising. Now, the challenge is to resolve such problems as labor shortages as soon as possible.

**Aoyama:** With the Olympic and Paralympic Games Tokyo 2020 within sight, motivation is rising also among the on-site staff, and we really want to achieve the plan set forth in GD2020. ALSOK was founded in 1965, led by the experience of the founder who was directly involved in the operations of the 1964 Tokyo Olympic Games in the previous year. We see the Olympic and Paralympic Games Tokyo 2020 next year as an opportunity to return the favor.

**Kumagai:** The Olympic Games are held to leave some kind of a legacy. I really expect ALSOK to realize the advancement of security services using AI and IT as a legacy to leave to future generations.

**Aoyama:** It is important to keep in mind how to prevent accidents, terrorism, and crimes and how to minimize damage once they occur. For the Paralympic Games next year, we also have to think about how to realize security services that are friendly to senior citizens, differently abled individuals, and visitors from overseas including evacuation during a disaster. I feel that ALSOK is challenged to show how much we can do at this biggest event in history.

## Initiatives to Realize Sustainable Growth

**Kumagai:** Last year marked the 10th year since the collapse of Lehman Brothers, and I think that the Lehman Shock triggered a major transformation of capitalism itself. Society requires a type of sustainability from which a variety of stakeholders can receive benefits over the medium to long term rather than focusing myopically on short-term profits, which is consistent with the spirit of “*sanpo-yoshi*” in Japan, literally “three-way satisfaction,” which advocates benefits to the seller, to the buyer, and to the community, and I think the core concept of such sustainability is the United Nations’ Sustainable Development Goals (SDGs). I was told that ALSOK has also identified the SDGs as one of its major targets, and feel that this is also in line with the major trends of the times.

**Aoyama:** In a situation in which the society or the environment is no longer sustainable, our work also can no longer exist. Therefore, we have to recognize that the symbiosis with nature is a challenge in corporate activities. I have previous experience in working to restrain illegal dumping of industrial waste as a watchdog when such illegal dumping was drawing attention in

the past. I think that ALSOK can also contribute much to the SDGs on all fronts.

**Kumagai:** Japan already has the background to be able to become a major country to support the SDGs, but unfortunately it has not been able to demonstrate it to the world that much. With regard to the SDGs, I think what is important is the clear tone of the top that convinces all employees from managers to the workers on site.

**Aoyama:** The concepts of sharing a economy and circular economy are drawing attention. Promoting the SDGs will eliminate waste and lead also to cost reductions. I will continue to explore daily the opportunities for ALSOK’s services to contribute to the creation of a sustainable global environment.

**Social and customer needs have greatly diversified. ALSOK’s businesses also need to expand and improve to a higher level.**

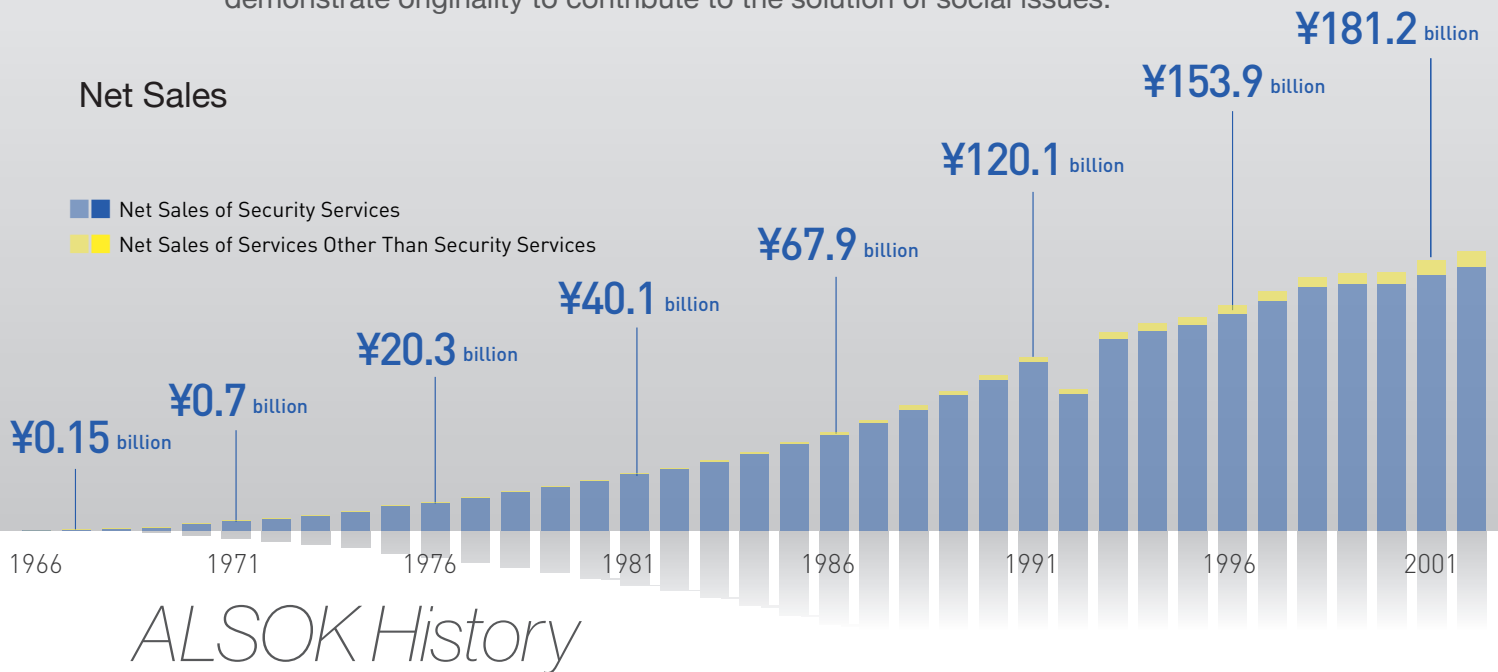


Note: ALSOK is a Tokyo 2020 Official Partner (Security Services and Planning).

# ALSOK's History of Value Creation

Since its foundation, ALSOK has consistently endeavored to protect the safety and security of society. Throughout its history of half a century, ALSOK has pursued technologies of security services, service quality, and education of human resources, nurturing them as its strengths. We will continue to take on advanced challenges and demonstrate originality to contribute to the solution of social issues.

## Net Sales



## 1965– Founding Era



### July 1965

Foundation of SOHGO SECURITY SERVICES CO., LTD. at 2-20 Uchisaiwaicho, Chiyoda-ku, Tokyo with a capital of ¥25 million and the main business purpose of providing contract security services

### September 1967

Developed and launched SOK Guard System in electronic security services (currently ALSOK Guard System) for corporate clients

### January 1975

Developed and launched AMAND SYSTEM® for automated management of ATMs

### February 1980

Started to dispatch security guards to overseas diplomatic establishments

### March 1983

Received first security business certification from the Tokyo Metropolitan Public Safety Commission

## 1985– Building Up and Maintaining Era

### April 1988

Developed and launched TAKURUS in electronic security services for individual customers



### January 1995

Responded to the Great Hanshin-Awaji Earthquake



### October 1997

Developed and launched Cash Deposit Machine On-line System, which facilitates the movements of cash (sales proceeds and change) and reduces related staff and equipment costs

### April 1998

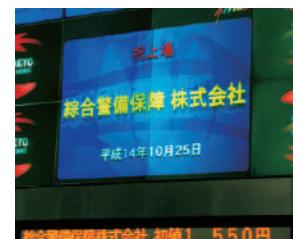
Developed and launched SOK Home Security system featuring convenient functions for daily life, including first aid information, home banking, and health consultation, in addition to crime and disaster prevention security functions



## 1999– Second

### October 2002

Listed stock on the first section of the Tokyo Stock Exchange



### July 2003

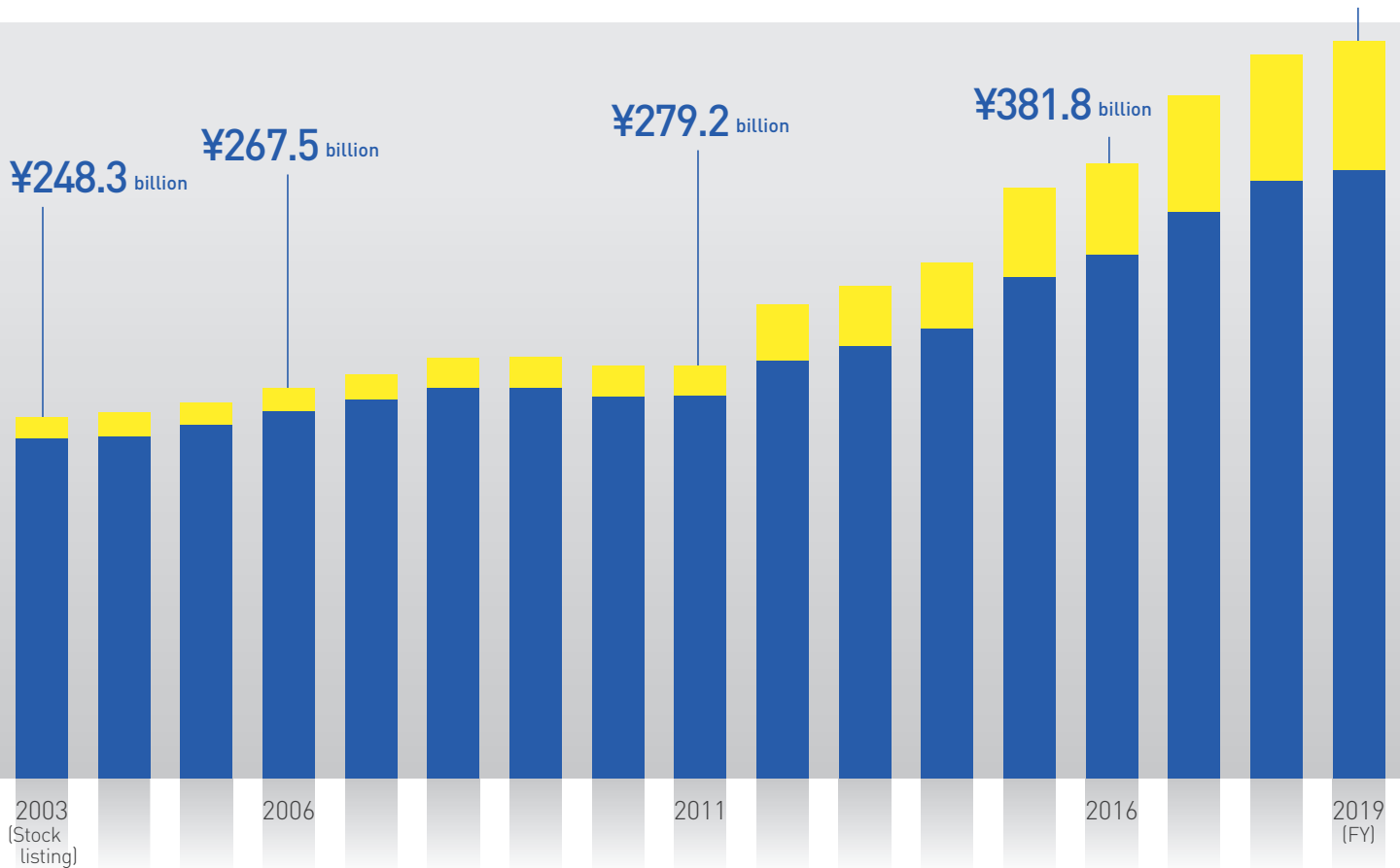
Changed corporate brand name from "SOK" to "ALSOK"

### November 2004

Developed and launched ALSOK Home Security 7 to provide security services at a reasonable price by adopting wireless sensors and narrowing down functions to urgent intrusion and fire detection and emergency calls



¥443.5 billion



## Founding Era

### June 2005

Developed and launched new automated patrolling GUARD ROBOT to realize a robot-based stationed security service system

### November 2005

Developed and launched ALSOK Home Security X7 with enhanced features for larger residential properties

### December 2008

Developed and launched ALSOK Home Security α with enhanced security and convenience features designed from the customer's perspective, such as standard Internet security services



## 2010– Third Founding Era

### March 2011

Responded to the Great East Japan Earthquake



### April 2011

Launched ALSOK-GV (read as "ALSOK G-five") security system for corporate clients

### February 2012

Started to provide stationed security services at TOKYO SKYTREE TOWN®

### October 2012

Launched new HOME ALSOK brand of services for individual users



### May 2015

Developed and launched new Cash Deposit and Dispenser Machine On-line System, which dispenses and changes money at the store and enables the store to deposit sales proceeds without physically moving cash to a bank

### June 2015

Launched MAMOLOOK multifunctional mobile security terminal to watch over senior citizens, women, children, and other family members outdoors

### October 2015

Developed and launched Home Security Basic with the latest features, such as compatibility with diverse communication environments

## Major M&A Activities

**February 2011** Japan Facilio Co., Ltd.

**April 2014** ALSOK Souei Co., Ltd.  
Nippon Building Maintenance Co., Ltd.

**October 2014** HCM Corporation

**February 2015** ALSOK Care & Support Co., Ltd.

**May 2016** Wisnet Co., Ltd.

**November 2016** PT. ALSOK BASS Indonesia Security Services

**December 2016** ALSOK Vietnam Security Services Joint Stock Company

**February 2017** ALSOK SHOJITSU SECURITY SERVICE CO., LTD.

**April 2017** ALSOK-TW East Japan Co., Ltd.

**July 2017** ALSOK KANTO DELIVERY CO., LTD.

# Fiscal 2019 Highlights

In fiscal 2019, ALSOK developed and provided various technologies and services that can contribute to the solution of issues in modern society. In fiscal 2020, we will continue to work to realize the solution of social issues.

## Fiscal 2019 HIGHLIGHTS

### 1Q

#### April

- Established the Olympic and Paralympic Games Tokyo 2020 Security Consortium and assumed the office of its co-representative



#### June

- Acquired the shares of Care Plus Co., Ltd.



- Launched 3D Laser Radar with highly precise detection performance to meet the needs for advanced security services



### 2Q

#### July

- Conducted verification tests of plant inspection services using drone aerial photography to support more efficient plant inspection



- Launched Solution for Improving the Safety of Internet Usage Environment to cope with increasingly sophisticated cyberattacks

- Promoted the Smart City Project at Kakogawa City to realize urban safety and security

#### August

- Launched ALSOK Multi-QR Payment Solution



### 3Q

#### November

- Launched ALSOK Cash Management Service

- Launched Kawarini Homon (Visiting on Behalf of Family Guardian) Service developed jointly with Dai-ichi Life Insurance Company, Limited

#### December

- Acquired Sogokanzai Co., Ltd. and Health Support Co., Ltd. as consolidated subsidiaries

**Initiatives to realize sustainable corporate value enhancement**

The number of children who participated in the ALSOK ANSHIN KYOSHITSU program exceeded 1.5 million on a cumulative basis

Launched a new class "How to Use the Internet Safely" in January 2019



Fiscal **2020** HIGHLIGHTS

4Q

1Q

January

- Launched ALSOK Homepage Safety Management Solution

February

- Launched ALSOK Paperless Solution

March

- Developed a new security service robot REBORG®-Z to realize more advanced and efficient stationed security services



REBORG®-Z in service guiding visitors and patrolling at commercial facility SAKURA MACHI Kumamoto in Kumamoto City

May

- Acquired Keihanshin Security Services Co., Ltd. as a consolidated subsidiary

June

- Completed the registration as a cashless payment company under the Cashless Settlement Business under the Point Reward Project for the Consumers using Cashless Payment

経済産業省「キャッシュレス・消費者還元事業」対象事業者様向け

**ALSOK** マルチQR決済ソリューション  
ひとつの端末・アプリでマルチQR決済 & 安心の保守体制

LINE Pay d払い PayPay Pay 楽天カード 交通系ICカード

総合設備保障株式会社は、経済産業省「キャッシュレス・消費者還元事業」の登録事業者です。

<b>無料</b> いままらマルチQR決済に最適な社*体制を無償貸与！	<b>特別料率</b> 手数料3.25%以下さらに国内ブランドは、期間中、手数料の1/2を補助	<b>集客UP</b> 消費還元事業効果で集客アップ！	<b>効率化</b> レジ締め、現金取扱いコストを省き業務効率化
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cost down

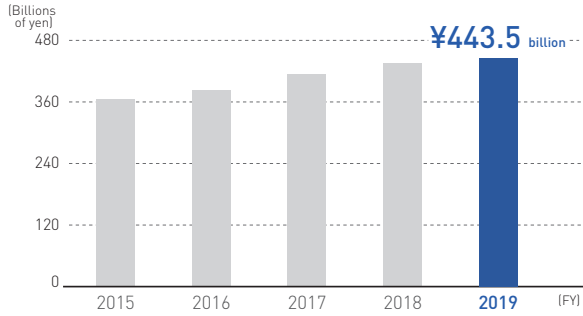
ALSOK will continue to work to realize the solution of social issues.

# Financial Highlights

## Net Sales

**¥443.5 billion**

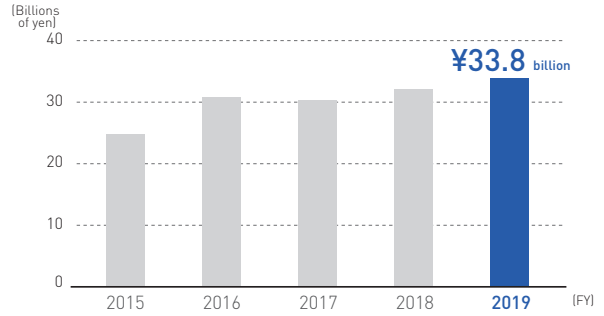
Up **1.7% YOY** ↑



## Ordinary Income

**¥33.8 billion**

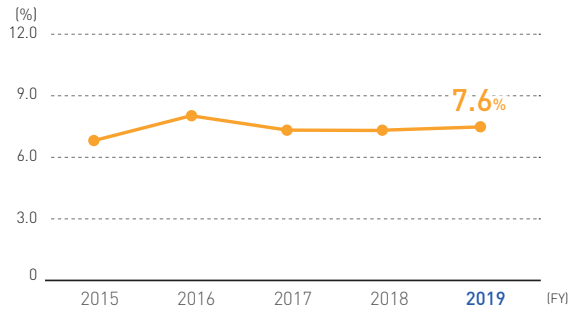
Up **6.2% YOY** ↑



## Ordinary Income Margin

**7.6%**

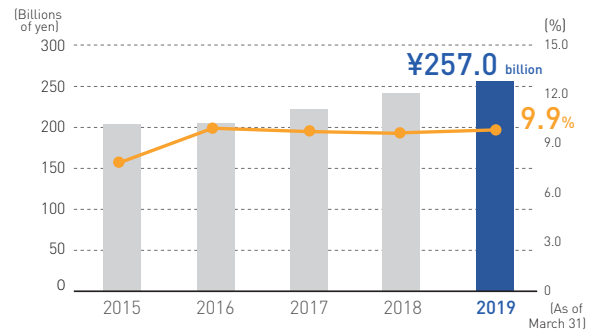
Up **0.3 percentage point** YOY ↑



## Total Net Assets/ROE

ROE **9.9%**

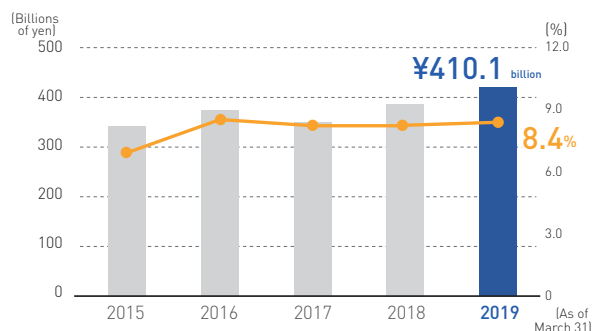
Up **0.6 percentage point** YOY ↑



## Total Assets/ROA

ROA **8.4%**

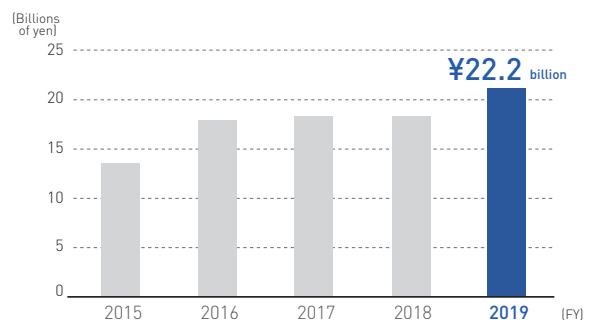
Up **0.2 percentage point** YOY ↑



## Profit Attributable to Owners of Parent

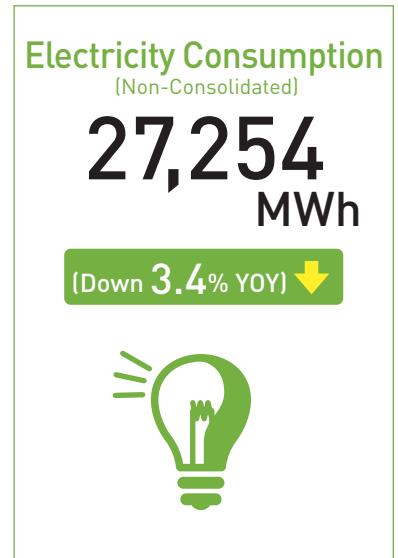
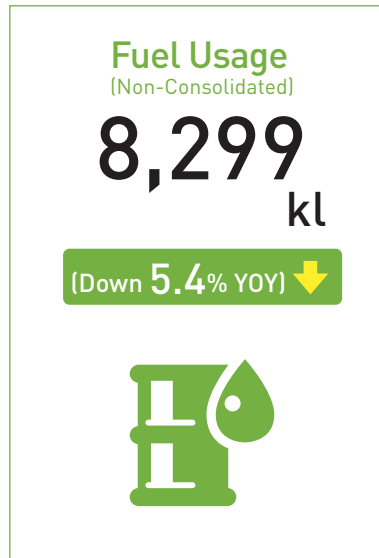
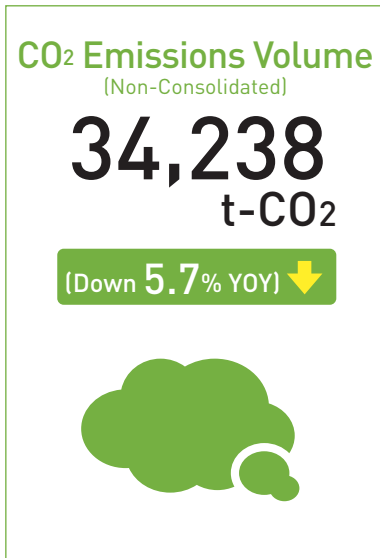
**¥22.2 billion**

Up **15.1% YOY** ↑

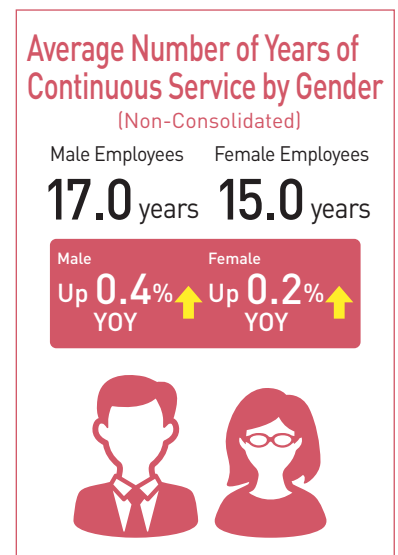
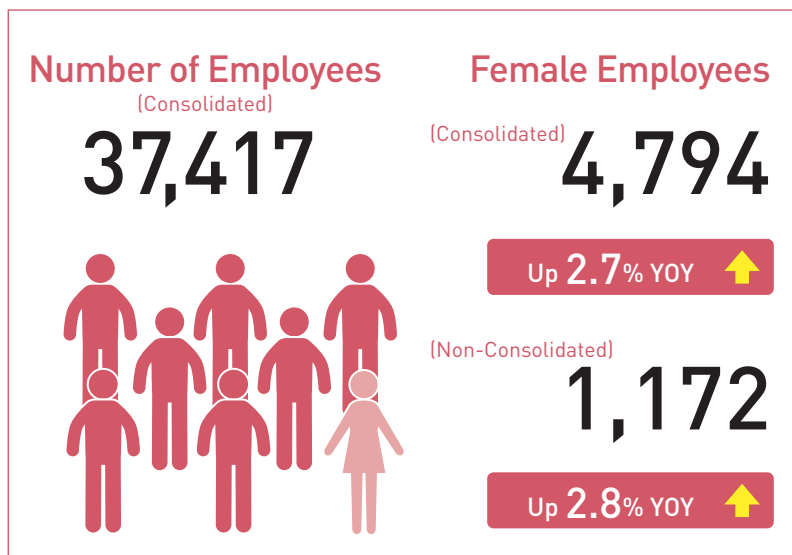


Non-Financial Highlights

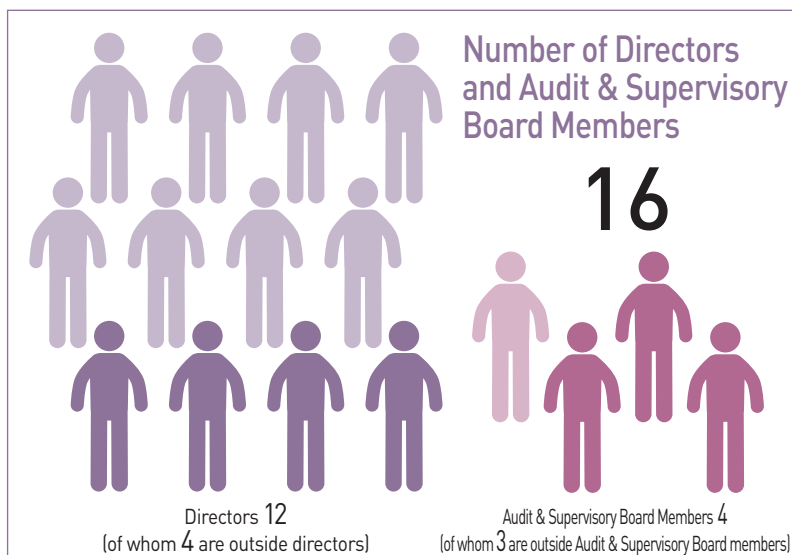
Environmental



Social



Governance



## Security Services Industry



### Market Environment

- The number of reported cases of crimes continue to decline to the lowest level after World War II
- Forms of crimes are changing as exemplified by increases in crimes preying on senior citizens and women and cybercrimes
- The risk of natural disasters such as earthquakes and typhoons has risen
- Medium- to long-term changes are expected in the cash transportation market along with cashless
- The whole security services industry faces a serious labor shortage

The number of reported cases of crimes in Japan declined for the 16th consecutive year. Behind this situation lies the increased recognition of the role of security services by society and the accompanying increase in the number of security equipment installed by security services companies at houses and facilities has continued to increase in recent years and topped 3 million.

On the other hand, cases of fraud by organized groups, domestic violence, and child abuse are on the increase. In addition, risks

faced by society such as natural disasters, international terrorism, cybercrime including cryptocurrency outflow, information leakage, etc., have become diversified, and the perception of public safety remains low.

The security services industry is expected to propose new forms of security services to respond to these changes in the times and needs to work with society even more closely than ever to provide more extensive safety and security.

### Summary of Japanese Security Services Industry (as of December 31, 2018)

#### Number of Security Services Companies

Approx. **9,700**  
companies

#### Total Net Sales

Approx. **¥3.5**  
trillion

#### Number of Security Guards

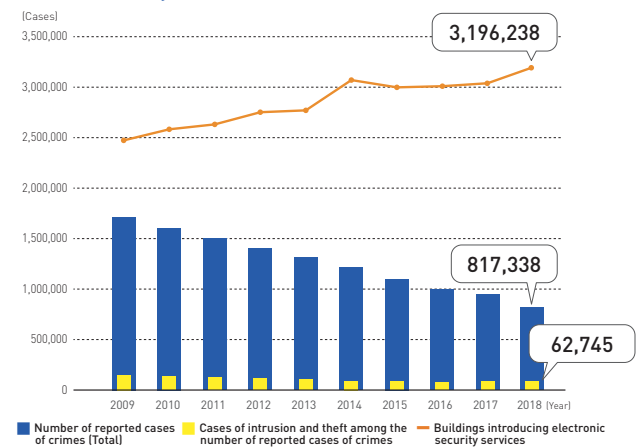
Approx. **555,000**

(of whom 34,000 are females)

### Strategy for the Future

- Provide various products and services relating to the safety and security of individuals in a seamless manner
- Promote business model transformation in response to increasingly diverse and sophisticated needs, labor shortages, etc.
- Increase value added per person by the application of new technologies such as ICT, multitasking, etc.
- Develop human resources with strong expertise

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

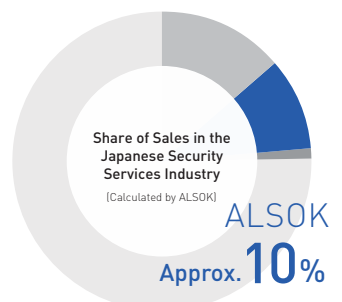


Sources: "The White Paper on Police, 2018," "Crime statistics materials for January to December 2018," "Overview of the Security Industry in 2018," National Police Agency

### The ALSOK Group's Position

Net Sales of Security Services

**No. 2**





**Market Environment**

- The market is growing due to the expansion of inbound tourism demand and outsourcing needs in recent years
- The market is expected to continue to grow in the future, but faces a serious labor shortage

**Strategy for the Future**

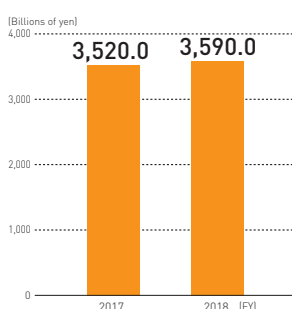
- Further expand the “Security + Equipment” model
- Recognize and meet outsourcing needs

**Building Maintenance Services Industry**

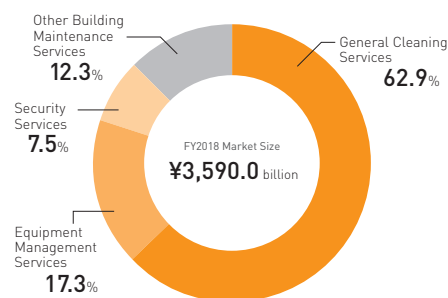
Building maintenance services provide cleaning, maintenance, operation of equipment, and other maintenance and management services mainly for buildings and other constructions and also cover a diverse range of other business activities including health-related inspections, facility installation, and renovation.

The ALSOK Group commenced building cleaning services right after its foundation and has gradually expanded the operations to cover air conditioning and health facility installation, building maintenance services, etc., as an extension of the cleaning services. The concept of “general property management” in which a safe and comfortable building environment is provided in an integrated manner has a high affinity for security services.

**Building Maintenance Services Industry Market Size Estimates**



**Sales Breakdown of Building Maintenance Services**



Source: “BUILDING MAINTENANCE INFORMATION YEARBOOK 2019,” The Japan Building Maintenance Association (JBMA)



**Market Environment**

- In 2065, one in about 2.6 people will be aged 65 or over and one in about 3.9 people will be aged 75 or over
- By 2065, both the child population and the number of births will decline to half the current level and the working-age population will decrease to 45.29 million
- The shortage in care workers continues to increase and the active job openings-to-applicants ratio remains high as compared with the average in all job categories

**Strategy for the Future**

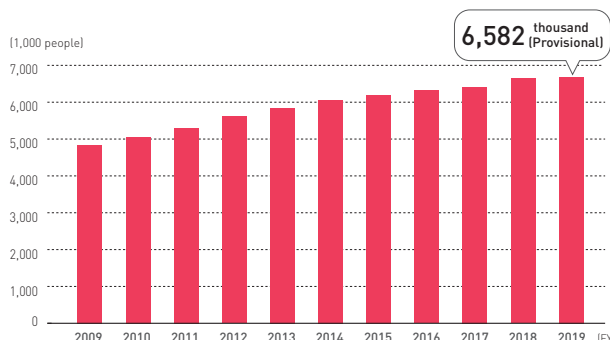
- Expand Long-Term Care Services to develop it into one of the major pillars in our business portfolio
- Further expand services for senior citizens → Strengthen synergy between Security Services and Long-Term Care Services

**Long-Term Care Industry**

Presently, the number of persons requiring long-term care/needed support in Japan is approximately 6.58 million. The number is expected to top 8.1 million in 2025 and an estimate indicates that one in five senior citizens will be diagnosed with dementia.

The long-term care industry covers a wide range of businesses including sales and rental of nursing care equipment, life-support service, etc., in addition to long-term residential care in facilities, day care, and home-visit care services and has formed a market that boasts total annual sales of approximately ¥10 trillion from services that use the public long-term care insurance system alone. The market is expected to expand even more as the number of persons requiring long-term care increases in the future.

**Number of People Requiring Long-Term Care/Needed Support**



Sources: “Status Reports on Long-term Care Insurance [annual reports],” “Status Report on Long-term Care Insurance [Provisional] (March 2019)” and “Annual Report on the Aging Society: 2019,” Ministry of Health, Labour and Welfare; Report Compiled by “Study Group for Future Supply and Demand of Elderly Nursing Care Systems,” Ministry of Economy, Trade and Industry

With its strengths that contribute to the safety and security of customers and society, ALSOK will work to create new values.

ALSOK Strength **1**

## Excellent Human Resources That Embody ALSOK's Philosophy

As ALSOK is in the business of providing value by protecting people and society, the most important capital is its human resources.

For this reason, we need to develop human resources that can put ALSOK's philosophy of "arigato no kokoro" and "bushi no seishin" into their actual actions. ALSOK is also focusing on developing experts who can propose optimal security solutions as security service professionals

Number of People Dispatched to Japanese Embassies,  
Consulates Overseas, etc.  
as Security Staff Members **Over 760** on a cumulative basis

Number of  
Female Employees **4,794**  
(12.8% of all employees)

Number of  
Security Planners **665**  
Number of Security  
Consultants **28**







## ALSOK Strength 2

# Organizational Capabilities to Ensure Safety and Security

With the industry's leading service network, ALSOK provides a sense of security to society and customers and demonstrates the mobility to arrive on the scene of any emergency quickly.

We have also realized solutions that capitalize on group synergy. For example, we provide watch over services to the ALSOK Group's long-term care facilities, drawing on our know-how accumulated from security services.

Depots Located Nationwide **2,400**

Number of Employees

**37,417** (33,137 in Japan and 4,280 overseas)

Overseas Operations **9 countries**

Number of Company Vehicles

**10,189**  
(including motorcycles and bicycles)

Time to Arrive on the Scene

**14.7 minutes on average**

## ALSOK Strength 3

# Trust Built from Actions and Results

Based on the high reputation of our performance records and skills as a leading security services company in Japan, ALSOK has won a large number of security services contracts both in Japan and overseas. ALSOK has also been in charge of security operations at numerous large-scale events.

In addition, to be a company trusted by both local communities and society at large, ALSOK actively engages in CSR and ESG activities.

Electronic Security Services Contracts **949,858** (520,942 for corporate clients and 428,916 for individual users\*)

\* Approx. 1,170,000 housing units covered when including contracts with housing complexes

Annual Amount of Cash Handled **Approx. ¥393 trillion**

Number of ALSOK ANSHIN KYOSHITSU Classes Held **48,406 on a cumulative basis**

External Assessment **Eruboshi (The Highest Rating of Level 3), FTSE4Good (12 consecutive years)**

Co-Representative of Olympic and Paralympic Games Tokyo 2020 Security Consortium

**Input of Capital** (As of March 31, 2019)

Number of Employees	Depots Located Nationwide	Overseas Operations
<b>37,417</b> 33,137 in Japan 4,280 overseas	<b>2,400</b>	<b>9</b> countries centered on Southeast Asia

Social Issues

Management Philosophy

**Society**

More Diverse Threats Facing Society

- International terrorism, information leakage, threats in cyberspace
- The aging of social infrastructure
- Labor shortages due to decline in the number of labor force
- Crimes preying on senior citizens, children, women, and differently abled individuals
- Natural disasters that cause great damage

**“Protecting”  
safety  
and security  
for customers  
and society**

**ALSOK**

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.

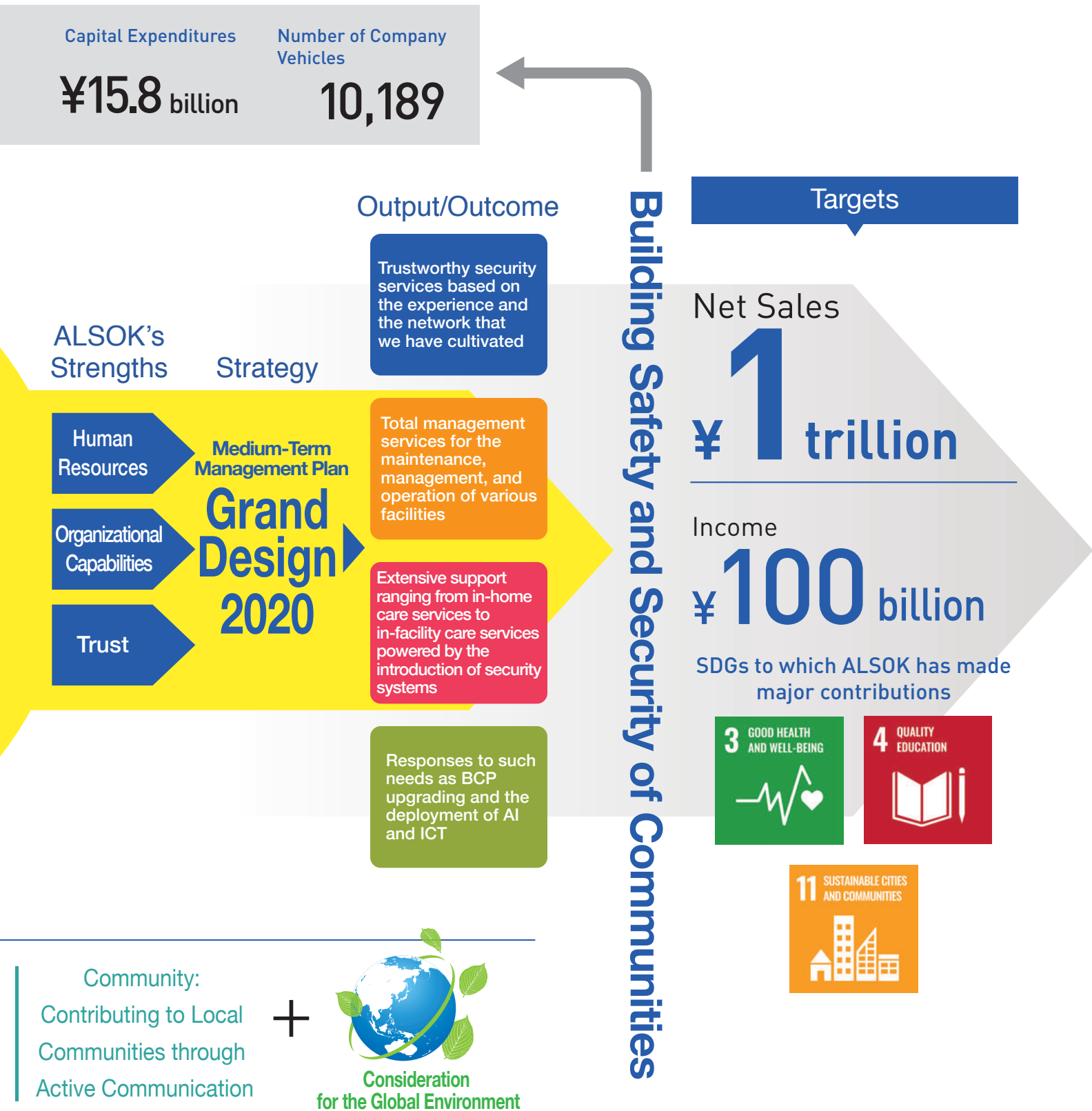
**Four  
Material  
CSR Themes**

Operating Practices:  
Providing Trustworthy  
Security Services

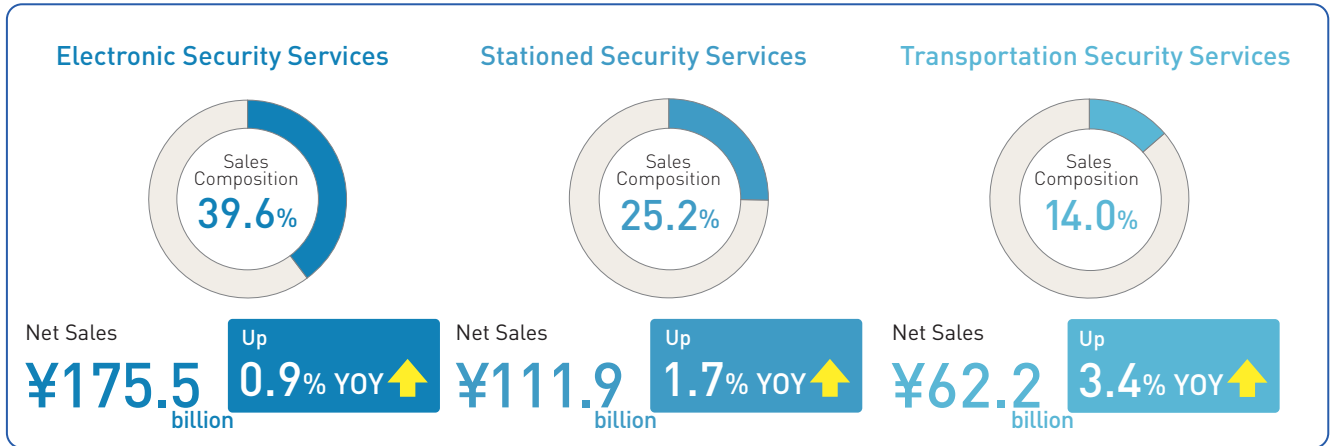
Consumer:  
Providing Products  
and Services  
That Help Resolve  
Social Issues

Labour Practices:  
Cultivating Human Resources  
and Building a Comfortable  
Workplace Environment

The ALSOK Group has continued to provide security services of impeccable quality for more than 50 years since its establishment. The Group's human resources, organizational capabilities, and the reliability recognized by customers and society are one of its greatest strengths. The Company is reinforcing its operating foundations with the aim of achieving consolidated net sales of ¥1 trillion and income of ¥100 billion. Although conditions are changing rapidly both inside and outside of the Company, we remain committed to creating new value for "protecting" safety and security for customers and society while simultaneously increasing ALSOK's earnings capacity. By accomplishing these goals, we will achieve growth that meets the expectations of all stakeholders.



# Security Services



## Electronic Security Services



For corporate customers, the number of facilities that have introduced the electronic security services systems topped 520,000. We provide solutions that satisfy diverse needs, including not only ALSOK-ST (read as “ALSOK Standard”), a standard security system equipped with monitoring and management services for intrusions, fires, equipment, etc., but also ALSOK-GV (read as “ALSOK G-five”), which allows customers to monitor images, browse information related to when employees arrive at and leave work, etc., and operate equipment remotely through a website, on top of standard security functions.

For individual customers, we proactively promote products and services to protect the safety and security of residences and daily life, and the number of households enrolled in ALSOK’s home security services (including housing complexes) has surpassed 1.17 million. The contract numbers of “Home Security Basic,” the current standard model in ALSOK’s home security lineup, “HOME ALSOK Premium” which allows customers to check the camera images themselves, and other services are steadily growing.

In addition, sales of “ALBO eye,” a personal security service that requires no installation, and “HOME ALSOK MIMAMORI SUPPORT,” which watches over the safe and healthy lives of senior citizens with Emergency Reporting services, etc., are also increasing.

We aim to create, in the future, electronic security services that go beyond conventional intrusion detection services to help prevent crimes and accidents before they happen by utilizing, for example, analysis of images from security cameras using AI, facial recognition, 5G telecommunications, etc.



## Stationed Security Services



The Stationed Security Services segment continues to deliver solid performance as demand for security services is strong due to such reasons as needs to outsource security operations on the back of labor shortages particularly in the manufacturing industry and needs for security services at new buildings constructed as part of urban redevelopment projects as well as for world-class sports events.

Going forward, we aim to improve our security services capabilities and also optimize costs through the provision of state-of-the-art security services that enable fast response to occurrences or signs of an incident and collaboration between security guards armed with IoT equipment combined with new ICT, and the accumulated know-how of the Stationed Security Services.

## Transportation Security Services



There was a strong trend in orders for total services for financial institutions including the management of ATMs based on their outsourcing needs. In addition, demand for the Cash Deposit and Dispenser Machine On-Line System for retail stores and restaurants, etc., is increasing with the progression of work-style reforms and labor shortages as its backdrop.

In the meantime, the trend of cashless payments is accelerating in Japan, and the needs for such payments is also increasing rapidly in line with the increased number of inbound travelers. ALSOK is the only security services company that is designated as a cashless payment company under the Cashless Settlement Business under the Point Reward Project for the Consumers using Cashless Payment of the Ministry of Economy, Trade and Industry and has started to provide QR settlement solutions.



## Column

### Launch of ALSOK Multi-QR Payment Solution

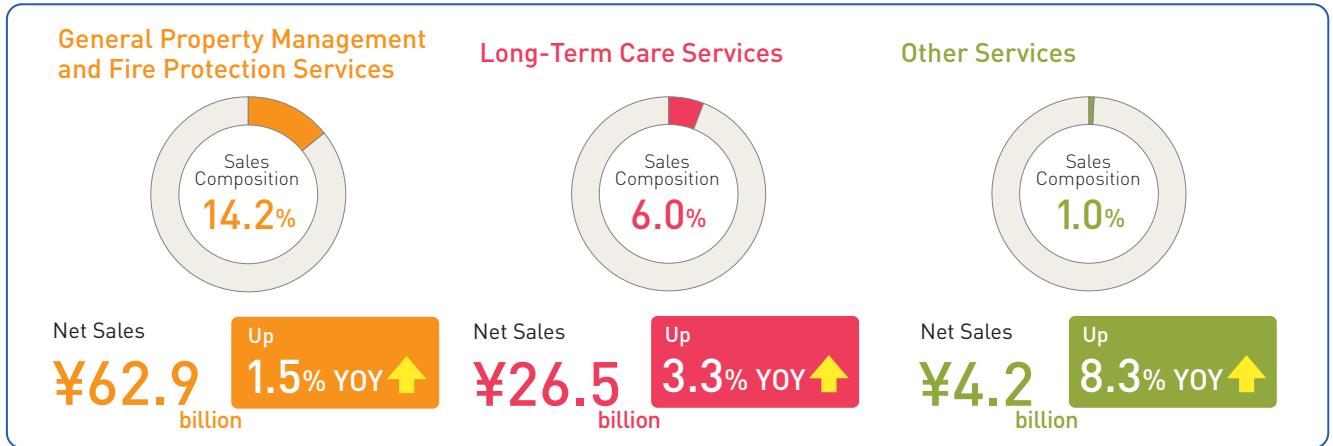


In August 2018, ALSOK launched services to provide QR payment solutions. They feature all-in-one terminals and multi-payments, as well as the maintenance service and the guarantee of security for funds transfer that only ALSOK can provide.



In October 2019, we started to sell a multi-payment terminal PAYGATE Station, which can handle all magnetic credit card, contact IC credit card, non-contact IC credit card, and QR payment options, to improve the convenience of cashless payments further.

# Non-Security Operations



## General Property Management and Fire Protection Services



The ALSOK Group is working to provide comprehensive property management services, which encompass the maintenance, management, and operation of various facilities, based on increased coordination between Group companies, and receiving orders steadily for comprehensive building management services, cleaning services, and equipment installation work. In addition, needs for disaster prevention and mitigation have increased due to natural disasters occurring frequently throughout Japan, and sales of disaster preparedness items such as stockpiles, batteries, and items for flood-control measures, and smoke alarms for households are also growing.

Moreover, we maintain a high share in the domestic market for the production of fire engines that arrive on a fire scene upon receiving a 119 emergency call and for the sales of AEDs, which have exceeded 170,000 units on a cumulative basis.

Outsourcing needs related to operation and management of buildings and facilities are expected to keep increasing due to labor shortages. Accordingly, we are committed to enhancing the contents of our products and services including the ALSOK Security and Equipment Service Package.



## Long-Term Care Services



The ALSOK Group has put in place a system to be able to meet diverse customer needs by providing in-facility services such as group homes and fee-based long-term care facilities dealing with dementia, in-home services such as home-visit nursing care and day care services, and visiting massage services. As a result, there are at present 340 service bases and approximately 16,000 users (as of March 31, 2019) mainly in the Tokyo metropolitan area and in other major cities, including Osaka, Nagoya, and Sendai.

In response to the increase in the number of senior citizens with dementia and senior citizens requiring long-term care forecasted to continue going forward, we will work to expand the business further and enhance the quality of long-term care services to meet also the rising needs of users for health promotion and maintenance.

We will strive to enhance our service lineup in collaboration with security services so that our long-term care services

can live up to the expectations of users and their family members and gain a high degree of trust by them for safety and security as those provided by a security services company.



## Other Services

In the field of information security that addresses cyberspace threats, the importance of managing the logs of computer operations is further rising for governance purposes (audit responses) and in response to the spread of telework. As a result, sales of the ALSOK PC Management Service with operational support have been strong.

An automated patrolling security robot REBORG®-Z is equipped with new functions such as image analysis and has enhanced its functions to provide security services and information. It can be used to increase efficiency and save manpower in the operation of facilities such as office buildings and large shopping complex and is currently used in large office buildings and public facilities such as shopping malls and airports.

MAMOLOOK, a GPS-equipped multifunctional mobile security terminal, meets needs to watch over children and senior citizens outdoors. Needs for the product is also increasing as a tool to protect the safe working environment in such ways as to ensure the safety of working women who meet their customers alone and to prevent employees working in factories and construction sites from getting involved in accidents. Our watching over service involving a whole local community that uses lightweight and miniature MIMAMORI Tags and a smartphone app is selected by many municipal governments as a measure to watch over senior citizens with dementia, etc.

In addition, we are proactively promoting other services such as safety confirmation systems, which are indispensable for corporate BCP, support for countermeasures against disasters caused by volcanic eruptions, flooding, and harmful birds and animals, and telegram services that take advantage of the ALSOK Group's nationwide network, among other things.



## Column

### For the Success of the Olympic and Paralympic Games Tokyo 2020

The Olympic and Paralympic Games Tokyo 2020 will be held in summer 2020. With the completion of the Olympic Stadium and other new competition arenas within sight, transportation tests to ensure the safe and smooth transportation of athletes and other persons concerned during the event and test events that simulate actual completion are now being conducted one by one.

As a Tokyo 2020 Official Partner and a co-representative of the Olympic and Paralympic Games Tokyo 2020 Security Consortium, we are devoting all our efforts to contribute to safe and secure Olympic Games operations in close coordination with the authorities concerned and the Tokyo Organising Committee of the Olympic and Paralympic Games.

The Olympic and Paralympic Games Tokyo 2020 will be the world's largest event. By anticipating all sorts of situations and risks that may occur during the event and being well-prepared with various training and education and repeated drills, we will strive to prevent any such situation from occurring. Our security management also focuses on the minimization of risk should any such situation occur.

We believe that the success of the Olympic and Paralympic Games Tokyo 2020 can be ensured by realizing "security services provided in a way unique to Japan" under the "all-Japan structure."



The Olympic Stadium under construction



Event security team kick-off ceremony for temporary security services such as test events

## ALSOK's Social Contribution Activities

Since its founding, the Company has continued to develop its security services business based on its fundamental spirit, which is defined by the two principles set out in its Management Philosophy of “*arigato no kokoro*” and “*bushi no seishin*,” and with a strong sense of commitment to protecting the safety and security of customers and society. To add to the safety and security of customers and society and give form to “*arigato no kokoro*”—part of ALSOK's fundamental spirit—ALSOK will work diligently to contribute to the resolution of the various issues faced by the communities it serves.







# Senior Citizens

As a company engaging in senior citizen support services and Long-Term Care Services, ALSOK offers products and services to protect the safe and secure life of senior citizens. We also hold ALSOK HOTTO LIFE KOZA visiting classes for senior citizens as part of our volunteer activities.

ALSOK HOTTO LIFE KOZA (FY2019)

Number of Classes Held

Number of Attendees

**47** times

**1,337**

Long-Term Care Facilities Operated by ALSOK

(As of March 31, 2019)

**340**

## Services and Initiatives



### ALSOK HOTTO LIFE KOZA

The ALSOK HOTTO LIFE KOZA visiting class program has been developed based on the advice of the Community Safety General Affairs Division of the Tokyo Metropolitan Police Department and teaches senior citizens the latest trends of crimes targeting senior citizens, such as bank transfer scams, snatching, and burglary, and how to defend themselves against such crimes.

### ALSOK's Long-Term Care Services

Long-term care facilities operated by the ALSOK Group provide services powered by ALSOK's unique strengths, such as the latest security features, security guards ready to arrive on the scene in the event of an emergency or disaster, and the active promotion of emergency and evacuation drills.

## VOICE

### Realization That ALSOK Can Also Protect People's Smiles

I conduct HOTTO LIFE KOZA classes for senior citizens by paying close attention to the volume of my voice, the speed of speech, and body language, as well as the attendees' facial expression to make sure they understand. I notice from their feedback we receive after the class that senior citizens have anxiety about many different issues, but I also realize that ALSOK can also protect their smiles as I see them smiling when they find a clue to dispel such anxiety.



SOHGO SECURITY SERVICES CO., LTD.  
Chief Manager of Sales Department,  
Saitama-Chuo Branch

**Toshiiro Kawano**

# Children

Not only the number of crimes preying on children staying alone at home or on a path to and from school, but also the number of Internet crimes targeting children is increasing year by year. ALSOK provides opportunities for crime prevention education that is up to date and in accordance with changes in the times to protect children from crime.



## ALSOK ANSHIN KYOSHITSU (FY2019)

Number of Classes Held

Number of Children Attended

**2,784** times **90,796** **1.5** million on a cumulative basis

### Initiatives

#### ALSOK ANSHIN KYOSHITSU

We conduct ALSOK ANSHIN KYOSHITSU classes at elementary schools throughout Japan to teach children crime prevention tips when staying alone at home or going to and from school, how to use an AED, cardiopulmonary resuscitation, the safe use of the Internet, etc., depending on their grades.



# Women

## ALSOK Women's Crime Prevention Seminar (FY2019)

Number of Seminars Held

Number of Attendees

**31** times **2,755**

We offer services to provide safety and security for women, such as dispatching security guards on the scene as well as visiting seminars for women to protect themselves against crimes targeting them, such as wiretapping, taking photos without consent, and stalking crimes.

### Initiatives

#### ALSOK Women's Crime Prevention Seminar

ALSOK Women's Crime Prevention Seminar is designed to help women protect themselves against crimes preying on them by familiarizing them with case studies of crimes particularly targeting women and teaching the art of self-defense just in case.



# Environment

Understanding that environmental issues affect all of humanity, ALSOK is working to reduce the environmental impact of its operations and has set goals for the reduction of CO<sub>2</sub> emissions and other environmental indicators and delivered favorable results. The Company shapes such initiatives based on the United Nations Framework Convention on Climate Change and other global consensus and targets (see Consideration for the Global Environment on p. 37).

We also work actively to realize a sustainable society by offering services to support the environmental activities of our customers.

## Short-, Medium-, and Long-Term Goals for CO<sub>2</sub> Emission Reduction

Through fiscal year ending March 31, 2021 (each year)



**1.4% reduction**

Fiscal year ending March 31, 2031 (From fiscal year ended March 31, 2014)



**26% reduction**

By 2050 (From fiscal year ended March 31, 2014)



**80% reduction**

### Services and Initiatives

#### Safe and Secure Promotion of Paperless Operations

ALSOK leverages its know-how of cash transportation and confidential information management to provide one-stop services to handle paper collection, conversion into an electronic form, and disposal in a seamless manner to support not only the efforts of our customers to reduce environment load but also their efficiency improvement and work-style reforms initiatives.



#### Preventing Damage to Biodiversity from Harmful Birds and Animals

Damage to forests and crops from harmful birds and animals is expanding year by year and is now affecting the ecosystem and human beings. ALSOK provides comprehensive support to combating such harmful birds and animals ranging from trap setting to extermination to protect the beautiful nature.



#### Active Promotion of Energy Saving at Customer Workplace

We support energy conservation in the business environment of our customers by proposing, selling, and installing optimal energy-efficient equipment as a total solution that is suitable for the property type (store, office, and plant), the industry, and the actual usage of the customer, such as the introduction of LED lighting and the replacement of air conditioning equipment.



## CSR Management

To ALSOK, 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 toughness, fairness, and generosity as well as teamwork and unity.

Through our CSR activities, we will contribute to the achievement of the United Nations’ Sustainable Development Goals (SDGs) .

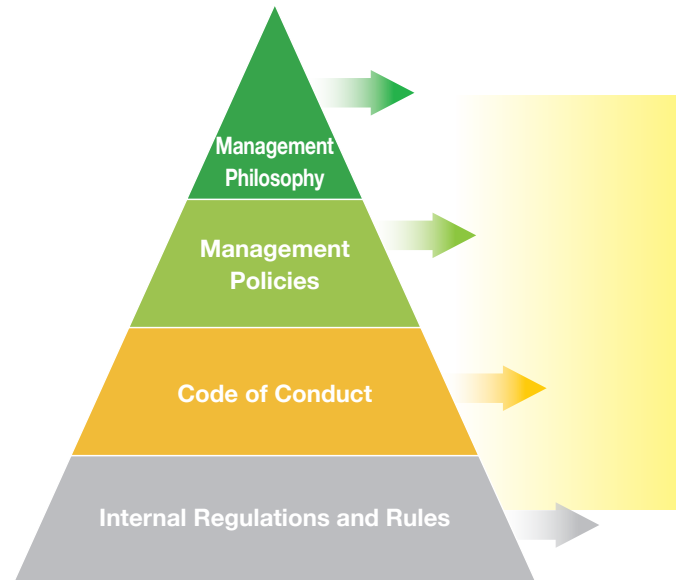
### ALSOK’S CSR Policy

Since its founding in July 1965, the Company has continued to develop its security services business based on its fundamental spirit, which is defined by the two principles set out in its Management Philosophy of “*arigato no kokoro*” and “*bushi no seishin*,” and with a strong sense of commitment to protecting the safety and security of customers and society.

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. To facilitate this undertaking, 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. The Company has also established various internal regulations and rules related to specific issues. Based on these guidelines, we are incorporating CSR activities into all areas of our business operations.

In 2014, we defined four material CSR themes as specific pillars of our CSR activity policy to pursue ongoing improvements in corporate value while developing our business.

We also facilitate CSR activities to resolve social issues from a global perspective based on Sustainable Development Goals (SDGs), which were adopted by the United Nations with the aim of resolving some of the major problems affecting the world.



### CSR Promotion Framework

The ALSOK CSR Office takes the initiative in strengthening the Company’s CSR promotion framework. In addition to our in-house quarterly ALSOK CSR Newsletter summarizing the latest information on CSR and ESG, we provide employees with e-learning programs and hold ESG seminars given by external lecturers for general managers of each office to cultivate a CSR-based mind-set in all employees.

Furthermore, we conduct CSR activity surveys of employees at the Head Office, branches, and all Group companies once each year to collect quantitative and qualitative information on the state of ESG matters within the Group. Since the fiscal year ended March 31, 2015, the Company has published ALSOK

Reports, a series of yearly reports that compile, in an easy-to-understand manner, both financial and non-financial information on the ALSOK Group’s activities to provide a more integrated view of the link between the Group’s business activities and CSR activities. Meanwhile, we provide more robust disclosure of information related to CSR activities and ESG initiatives through our corporate website.

As a result of these efforts, ALSOK has been recognized by external institutions as a company that exercises its social responsibility from an ESG perspective. Such institutions have thus selected the Company for inclusion in various investment indexes.



ALSOK has been included in the FTSE4Good Index Series, a socially responsible investment index, for 12 consecutive years.



ALSOK is included in the FTSE Blossom Japan Index, an ESG investment index.



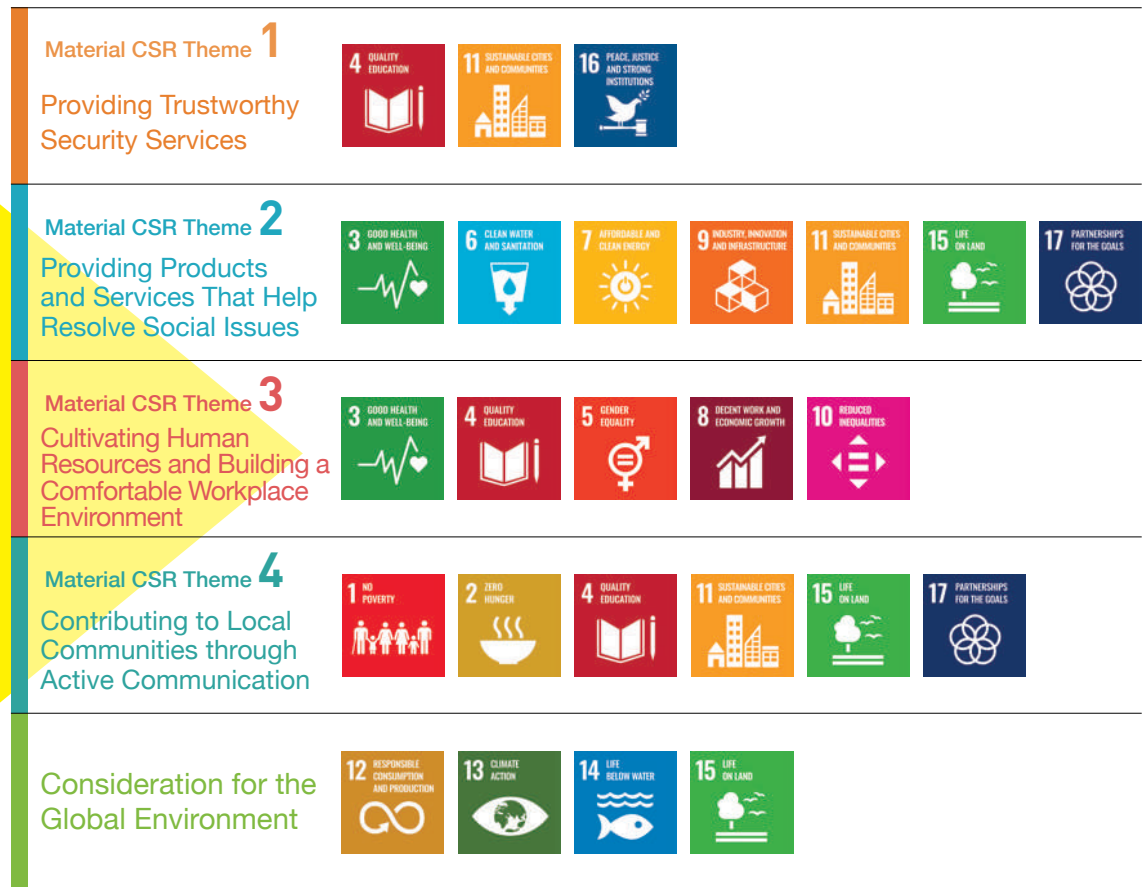
2019 Constituent  
MSCI ESG  
Leaders Indexes

ALSOK is included in the MSCI Japan ESG Select Leaders Index, an ESG investment index.

## Initiatives for Realizing Sustainable Improvement in Corporate Value

# ALSOK's CSR

ALSOK engages in CSR activities based on its Management Philosophy aiming to contribute the also to the achievement of the SDGs.



## Supply-Chain Management

CSR initiatives cannot be carried through to completion through the efforts of the ALSOK Group alone. We firmly believe that the success of these initiatives also rests on the understanding and cooperation of all of our stakeholders.

It was based on this conviction that the ALSOK Group created the ALSOK Supply Chain CSR Guideline. We humbly request understanding from our suppliers concerning ALSOK's philosophy stated below and also for their participation in efforts to achieve sustainable societies.

In order to support the protection of internationally proclaimed human rights, we will respect the dignity and rights of all people and will not wrongfully discriminate based on race, gender, religion, or any other reason. In addition, we will engage in both internal and external human rights awareness activities and work to ensure proper understanding of human rights issues. Under no circumstances will we violate or infringe upon, or participate in the violation or infringement upon, human rights, whether directly or indirectly.

Remaining mindful that we should uphold the elimination of discrimination in respect of employment and occupation, we will not engage in or support any form of forced or child labor (employing individuals below the minimum age for admission to employment or neglecting to safeguard young workers established in conventions and recommendations of the International Labour Organization (ILO)). Furthermore, we will lay down a variety of regulations, including rules of employment, that are compliant with labor-related laws in each of the nations and regions in which we do business. We will also observe minimum wage requirements, reduce long working hours by conducting appropriate management of labor time, holidays, and leave, and strive to provide comfortable working environments through intimate communication between labor and management that is considerate of the rights and freedoms of all employees.

We will consider the impact our corporate activities have on the environment and work to reduce CO<sub>2</sub> emissions, prevent pollution, observe environmental laws and ordinances, and remain considerate of water resources and biodiversity. Furthermore, we will establish and maintain self-imposed targets aimed at curtailing our use of resources and energy, develop and circulate environmentally friendly products and services, and disclose information regarding the progress and results of our environmental preservation activities.

Additionally, the ALSOK Group will endeavor to secure occupational safety and health and conduct appropriate health management for all employees while maintaining an understanding regarding occupational hazards and illnesses and adopting necessary countermeasures.



The ALSOK Group is aware of the importance of remaining accountable in its corporate activities. Accordingly, we strive to maintain transparency in these activities and disclose related information appropriately, communicating closely with our stakeholders (suppliers, shareholders, local communities, employees, etc.). Remaining mindful that we should always work against corruption in all its forms, including extortion and bribery, we will conduct fair and honest corporate activities, rejecting all connections and relationships with anti-social forces and contributing to the sound development of society and the economy through fair market competition.

The ALSOK Group will provide customers and clients with accurate information regarding products and services, adopt defensive measures to protect against computer network threats (computer viruses, spyware, etc.) and conduct management aimed at preventing harm to the ALSOK Group and to other companies. Additionally, we will appropriately manage and safeguard individual privacy as well as confidential information received from clients and third parties.

We will comply with client agreements, which represent promises made on behalf of the ALSOK Group, and exhaust all possible efforts to ensure the safety and quality of our products and services while continuously striving to achieve client satisfaction through the promotion of interaction and research and development. Furthermore, we will utilize our quality management system and comply with safety-related laws and ordinances in order to conduct proper quality and safety assurance.



# 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.

## Promotion of Compliance throughout the Group

ALSOK has established a Compliance Committee headed by the executive officer in charge of compliance. The committee strives to spread and install an unwavering awareness of compliance in all executive officers and employees based on compliance rules. We also promote compliance throughout the Group with active campaigns, education, and training.

In addition, the ALSOK Hotline was set up in 2004 to enable employees to report and receive consultation on any illegal or other inappropriate conducts within the Group without fear of detrimental treatment. As of March 31, 2019, the ALSOK Hotline was available to the employees of ALSOK and 71 Group companies.

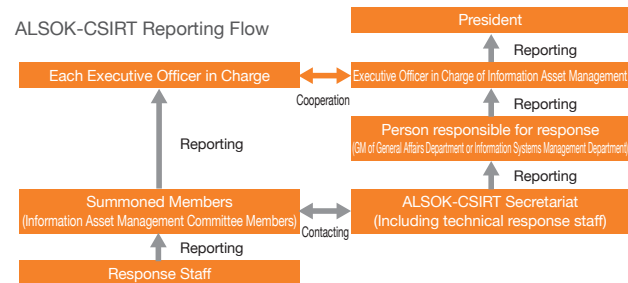
Compliance-Related Campaigns in the Fiscal Year Ended March 31, 2019

Period	Theme
Apr.–May	Education on compliance
Jun.–Jul.	Thorough labor management (compliance with Article 36 agreement, eradication of excessive work hours and unpaid overtime work)
Aug.–Sep.	Thorough compliance with the Road Traffic Act
Oct.–Nov.	Thorough compliance with business-related laws and regulations
Dec.–Jan.	Prevention of information leaks through appropriate use of information systems
Feb.–Mar.	Thorough compliance with industry-specific laws and regulations by the proper preparation of statutory documents

## Measures for Protecting and Managing Information Assets

Because the ALSOK Group handles material information of customers in many occasions including security services, we recognize the appropriate protection and management of information assets as an important management issue.

With this in mind, we established a Basic Information Security Policy in 2004 to apply to all employees, including executive officers, and all information assets. In addition, we are implementing countermeasures against information leakage risk. For example, we promote the acquisition of PrivacyMark® and international certification for information security management systems and have established an internal computer security incident response team, ALSOK-CSIRT, as a precaution for the risk of serious information security breaches.



## Business Continuity Management

### Business Continuity Plan and Preparation for Emergencies

ALSOK has established a business continuity plan (BCP) in preparation for a wide range of potential disruptions such as major earthquakes, typhoons, and other natural disasters, system malfunctions, terrorism, and outbreaks of new strains of infections. Based on this BCP, we acquired certification under ISO 22301, the international standard for business continuity management system (BCMSs), in March 2014 to ensure preparedness for all potential risks. For example, we have created our own disaster manual and conduct comprehensive disaster response drills twice a year as well as other drills such as drills for employees reporting to duty on foot and for safety confirmation to prepare for natural disasters.



Comprehensive disaster response drills

# Improvement of Security Service Quality and Customer Satisfaction

## ■ In-House Competitions

The ALSOK Group has been holding the Sohgo Security Alliance Quality Improvement Tournament every year since 2010 to encourage employees to improve their service execution skills as a way to enhance the quality of security services. In this tournament, employees compete in various events that are directly related to our actual services.

At the ninth tournament in November 2018, a total of 239 employees advanced from preliminary tournaments held across Japan to put skills honed through daily operations to the test in the main tournament's 19 events including "arrive-on-the-scene services" and "first aid."

Taking into account the expected increase of visitors from abroad for international conferences and sports events, we included events in language service and luggage inspection categories in anticipation of the need to manage multilingual services and accommodate wheelchair users.

After the tournament, videos of the winners of these events demonstrating their skills are made available for viewing on the Company bulletin board as part of our concerted efforts to improve service executions skills and the quality of security services.



第9回総合警備連盟品質向上競技大会

List of Tournament Events

- ① Search procedure after receiving alarm
- ② Response to ATM failure
- ③ Arrive-on-the-scene services
- ④ Technical services
- ⑤ Funds: Opening work
- ⑥ Basic life support procedure
- ⑦ Indoor fire hydrant operation
- ⑧ Luggage inspection
- ⑨ Security transportation: Responses to assaults
- ⑩ Alarm response procedure at Guard Center
- ⑪ Telephone manners contest
- ⑫ Driving contest: Four-wheeler vehicle
- ⑬ Driving contest: Three-wheeler vehicle
- ⑭ Driving contest: Security transportation
- ⑮ Sales: New corporate customer development
- ⑯ Sales: Coaching
- ⑰ Language service
- ⑱ Security command
- ⑲ Team drills
- etc., drone contest as a pre-event

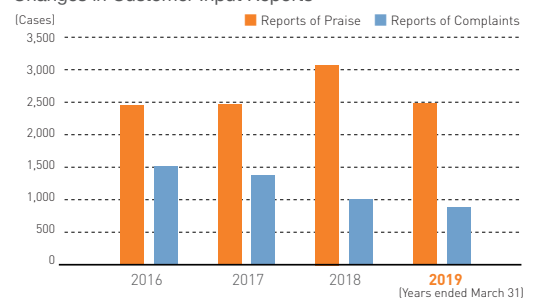
## ■ Breakdown of Customer Input Reports Compiled by ALSOK

(Fiscal year ended March 31, 2019)

Customer feedback such as opinions, requests, complaints, and praises is reported to the executive officer in charge and the President on a daily basis and is shared with all employees to improve our services.

Reports of Praise **2,471**  
Reports of Complaints **880**

Changes in Customer Input Reports





# Providing Products and Services That Help Resolve Social Issues

ALSOK offers a multifaceted lineup of services that help resolve issues faced by customers and society through an accurate understanding of changes in the natural environment and social trends by leveraging its security services expertise.

## Responses to Declining Birthrate and Aging Population and Working-Age Population Decline

### Pioneering Example: Building a Safe and Secure Community Utilizing AI and Robots

Amid the progressing declining birthrate and aging population and resulting population decline, labor shortages are becoming a more pressing social issue than ever. ALSOK is coping with the shortage of security guards by combining our traditional security service know-how with our security robots powered by the latest technologies, such as AI and IoT.

Our latest security robot REBORG®-Z provides high-value-added and highly efficient security services with the ability to communicate with humans through face recognition and a large display monitor and to prevent accidents through abnormality detection. At the Mt. Fuji Shizuoka Airport, REBORG®-Z is in active service to realize further efficiency improvement and sophistication in passenger terminal security operations.



### Drone Aerial Security and Photography Services

ALSOK provides not only wide-area surveillance services using drones but also facility inspection and survey services using drones equipped with an infrared camera to bring safety to dangerous work at a high place and to solve the shortage of skilled workers to do such work.

#### Mega Solar Inspection



#### External Wall Survey



Can detect unevenness in tiles that cannot be detected by visual inspection

#### Security



An aerial photo of an industrial park taken by a security drone



Inspection drone equipped with an infrared camera

### Cash Management Services

Cash management is an important function in the retail industry. While the industry faces various issues including the shortage of change during daily operation and thefts during storage and transportation, retailers are now required to realize more efficient store operation due to the progression of declining birthrate and aging population and the resulting labor shortages and the diversification of business operations in recent years. ALSOK cash management services realize the linkage between cash deposit and dispenser machines and POS data to realize the visualization of the movements of cash and thereby support reduction in personnel expenses associated with cash management and efficiency improvement in store operation.



Solution to cash management problems at stores



## Development of Communities Where Everyone Is Safe

### Services for Children, Women, and Senior Citizens

Our multifunctional mobile security terminal MAMOLOOK powered by GPS is designed to meet the needs for watching over children, women, and senior citizens. We also offer the Regional Protection System using MIMAMORI Tags that is specialized in responding to senior citizens with dementia, etc., wandering alone and HOME ALSOK MIMAMORI SUPPORT services to respond to increases in households consisting only of senior citizens. These services support senior citizens living by themselves away from other family members and provide family members with an option to ask ALSOK to arrive on site in the event of an emergency.



Mobile MIMAMORI security terminal equipped with call and safety confirmation functions to provide security both indoors and outdoors



Simple watch over services using a MIMAMORI Tag and MIMAMORI Tag Detector

### Long-Term Care Services

ALSOK provides a wide variety of long-term care services ranging from in-home care services to in-facility care services as well as visiting medical massage mainly in the Tokyo metropolitan area. We also provide our proprietary health management programs such as ANSHIN TAISO and ANSHIN YOGA exercise programs that can be performed also by senior citizens without strain.



### Emergency Reporting System in Collaboration with Municipalities

The emergency reporting service of municipalities has been introduced to watch over senior citizens and differently abled individuals, and the number of municipalities contracting with ALSOK to provide this service is increasing on the back of the lack of personnel and the increase in operational burden. Our Emergency Reporting System allows our staff to visit and enter individual residences, with staff being given spare keys, and also includes a health consultation service provided by certified nurses and other personnel. This system is popular and has been adopted by a number of municipalities.

Number of Municipal Governments  
Using ALSOK's Emergency Reporting System **493**  
[As of March 31, 2019]

### [Number of Long-Term Care Facilities and Users]

In-Facility	<b>135</b> facilities	Approx. <b>3,700</b> users
In-Home	<b>183</b> facilities	Approx. <b>7,000</b> users
Visiting Massage	<b>22</b> facilities	Approx. <b>5,300</b> users
<b>Total</b>	<b>340</b> facilities	Approx. <b>16,000</b> users

## Measures against Frequently Occurring Natural Disasters

### Flood Control Act Response Solutions

In recent years, record-breaking torrential rain and powerful typhoons have triggered river overflows and flooding on roads that caused significant damage. ALSOK provides services to prevent water damage, for example, by preventing vehicles from entering underpasses, the structure of which tends to cause water to collect there at the time of flooding, through the employment of air-operated blocking devices, and by monitoring the water level of a river with ultrasonic-type level gauges and operating water gates properly at the time of a rising river.



Underpass monitoring service



At the time of flooding



River monitoring solutions



### Dispatching Vehicle-Based Mobile ATMs

ALSOK engages in the storage management and transport of vehicle-based mobile ATMs. At the time of the Heavy Rain Event of July 2018, we dispatched them to the affected areas in Ehime, Okayama, Hiroshima, and Yamaguchi prefectures, and we received words of appreciation from many people who had been waiting for such services to be available.



A vehicle-based mobile post office in operation on a road covered with rubble, earth, and sand in Kure City, Hiroshima Prefecture



Vehicles in storage at the Transportation Security Services Branch Kanagawa and employees involved in transportation services



# Cultivating Human Resources and Building a Comfortable Workplace Environment

ALSOK is constantly working to improve the workplace environment to enable human resources, which are the base of sustainable growth for the Company, to fully exercise their talents through the enhancement of training systems, active support for career development, and the promotion of diversity.

## Development of Human Resources That Embody ALSOK's Philosophy

Aiming to develop human resources that embody ALSOK's philosophy, the ALSOK Group is constantly working to improve its education and training programs. Immediately after joining ALSOK, new employees receive introduction training on such topics as ethics, the art of self-defense, disaster prevention practice, and first aid to gain necessary knowledge as a security guard.

We also encourage skills development of employees by enhancing ALSOK's correspondence education programs,

incentivizing employees to acquire public qualification, and conducting personnel exchanges within the Group as well as with central government agencies and other companies. In addition, with the introduction of an e-learning system in 2018, we have realized the enhancement of educational contents, a significant increase in the number of employees who take courses by conducting decentralized education programs, and a reduction in the burden for taking courses, such as the need for traveling.



Introduction training for new employees

Correspondence Education Programs

**120** courses available

(Up 10 courses YOY)

Employees Who Have Completed First-Aid Training

Aggregate total of **19,527**

(As of March 31, 2019)

## Respect for Human Rights and Diversity

ALSOK has developed frameworks to enable diverse human resources to fully exercise their talents. We place importance on providing 4,794 female employees (as of March 31, 2019) with a workplace environment that empowers them. These efforts have received a high degree of external recognition. In April 2018, our efforts to ensure a working environment that enables female employees to exercise their talents were recognized by the Japan Productivity Center with the Encouragement Award of the 3rd Women Empowerment Award.

In August 2018, ALSOK was certified as a Level 3 (highest level) "Eruboshi" company by the Ministry of Health, Labour and Welfare in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace.



Female technical staff at work



Eruboshi certification logo

### ■ Promotion of Overseas Employees' Active Participation

ALSOK promotes respect for human rights and different cultures overseas. In Thailand, we actively promote the advancement of female employees in the sales department, and promote career development through the improvement of maternity leave system.

We also provide an in-house place of worship in Indonesia for Muslim employees and make rotation plans to allow all Muslim employees time for worship. ALSOK continues to prioritize consideration for the national culture of each country in which it operates.



Female employees working at ALSOK BASS Indonesia

### ■ Creation of a Workplace That Develops Each Individual's Unique Talents

In 2010, ALSOK Business Support Co., Ltd., a specially certified subsidiary under the Act on Employment Promotion of Persons with Disabilities which undertakes business card printing, print-on-demand (POD) business, etc., was established as part of our efforts to normalize the presence of differently abled individuals smoothly in the workplace and promote diversity and inclusion.



Meticulous inspection of printed materials to be delivered

Active in a wide variety of fields including brochure printing and business card printing for employees



## Work-Style Reforms and Work-Life Balance

### ■ Enforcement of Welfare System

ALSOK puts effort into improving the working environment so that employees can continue to work with peace of mind, while enjoying a better work-life balance. We provide a wide range of welfare programs such as special discounts for sports facilities and hotels, so that employees can enjoy satisfying, high-quality leisure time. We also offer ALSOK LTD, long-term disability insurance designed to help replace lost income in the event that an employee is unable to work for an extended period.



Supports a good balance between work and childcare

Percentage of Employees Returning to Work after Childcare Leave **98.1%**  
(As of March 31, 2019)

### ■ Promotion of Health Management

For a company to continue to grow, its employees must have fulfilling professional and private lives; and the working environment must energize employees. To realize highly efficient and productive employee work styles, ALSOK formulated and announced its 3-year Work-Style Reform Action Plans starting from April 1, 2018. As part of its implementation, we have introduced the Platinum Holiday System to allow employees to take a long-term paid leave of nine or more consecutive days off to raise the rate of annual paid leave use.

Other health management initiatives include the participation as an action partner in the Ministry of Health, Labour and Welfare's Action Plan for Companies Promoting Cancer Prevention Program, the establishment of ALSOK Support Line, a mental health help desk, and health events held in collaboration with the ALSOK Health Insurance Society. Such health management initiatives were recognized under the 2019 Certified Health and Productivity Management Organization Recognition Program (White 500) (sponsored by the Ministry of Economy, Trade and Industry, and Nippon Kenko Kaigi) for three consecutive years from 2017.

Rate of Annual Paid Leave Use

**45.7% → 53.0%**

Up **7.3** percentage points YOY ↑





# 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 Safety for Communities Utilizing the Know-How of Security Services

With the aim of responding to the requests and expectations of local communities for safety and security, the ALSOK Group dispatches its employees, who are safety professionals, to elementary schools throughout Japan to conduct the ALSOK ANSHIN KYOSHITSU program. This program teaches children crime prevention and first-aid skills. The program has been running for 15 years with the participation of more than 1,510,000 children.

In April 2019, ALSOK held an exhibit at Manabi no Fes 2019 Spring, an annual hands-on education event for elementary school students and their parents sponsored by The Mainichi Newspapers Co., Ltd. Under the theme of “protecting the property of others,” the exhibit included activities to experience the importance of a sense of responsibility and teamwork in carrying valuables while guarding them safely.

ALSOK also actively accepts educational visits of students, who are given explanations on latest security services and daily crime prevention tips in the showroom of the Head Office or in other offices.

In August 2019, we conducted a Business Training for School Teachers (arranged by the Japan Institute for Social and Economic Affairs) for elementary school and junior high school teachers for the 10th time in the last six years. The training was attended by 19 teachers from elementary schools and junior high schools in Tokyo, who discussed issues on the crime and disaster prevention status at schools and received training on how to combat an intruder using a *sasumata* (a weapon shaped like a forked stick). “It was a good opportunity to reconsider crime and disaster prevention at school and in the local community,” commented one of the attendees after the training.

We also continue to hold ALSOK HOTTO LIFE KOZA visiting classes that teach countermeasures against crimes targeting senior citizens and first-aid skills and to make a concerted effort to prevent senior citizens from becoming a victim of bank transfer scams. In fiscal 2019, the ALSOK Group helped to prevent 64 special-case scams and received appreciations from the organizations concerned for these efforts.



Manabi no Fes: Children making a pose as ALSOK team members



Children examining valuables



Sasumata training as part of the Business Training for School Teachers



Receiving a letter of appreciation

### VOICE

### Accepting a Visit of International Students Studying at Sophia University

We visited ALSOK as part of the class activities of the business Japanese course for international students studying at Sophia University. The students were surprised at the latest security systems in the showroom and were given an interesting explanation of ALSOK’s history, line of business, and Management Philosophy at the industry and company briefing. As the students listened to a globally recruited staff member telling how he was grappling with daily challenges in the workplace, the stereotyped image of a Japanese company that they had was dispelled and their motivation to learn Japanese rose. Each of them must have learned a lot from this opportunity. I really appreciate your cooperation.

International students intently listening to ALSOK’s explanation



Sophia University  
Center for Language  
Education and Research  
Project Associate Professor

Masako Yonezawa

## Promotion Activities for Supporting Sports

ALSOK currently has a total of 10 sports clubs, including its prestigious judo club as well as its wrestling, weight lifting, marksmanship, and track and field clubs, as well as goalball athletes. These clubs have produced numerous national team athletes and world champions. ALSOK is now also supporting para athletes.

ALSOK also contributes to sports promotion and the development of local communities by holding the Group's internal national judo and kendo tournaments and holding sports classes for children in local communities.



Sohgo Security Alliance Judo Tournament



Race walk class by an ex-Japan national team athlete

## Post-Disaster Restoration Support

A number of natural disasters, including the Heavy Rain Event in July 2018, large typhoons, and the Hokkaido Eastern Iburi Earthquake, hit Japan one after another in 2018. We made a concerted effort in supporting the disaster-stricken areas, including increased patrolling around our contracts during power outage, cash collection from ATMs, and employees' volunteer activities.



Employees at Hokkaido Regional Office assessing the damage status amid power outage

Loaning a generator to Atsuma-cho in Hokkaido, where power outage continues

The ALSOK Group has been engaging in restoration support activities for regions heavily impacted by natural disasters through partnerships. Through support goods purchase cooperation under the "Regional Restoration Matching" program of the Reconstruction Agency and continued participation in the "Watashitachi wa Wasurenai (We Will Never Forget) – Carrying Rehabilitation Assistance into the Future" disaster reduction and prevention project implemented by the Japanese Red Cross Society, we will continue these activities so as not to allow the lessons and experiences accumulated in the past to be forgotten.

Annual Social Contribution Expenditure **Approx. ¥390 million**

## Support for the Next Generation and Contribution to Culture and the Arts

Since 2017, ALSOK has participated in the National Movement to Support Children's Future promoted by the Cabinet Office. ALSOK has donated a portion of its profits from home security-related products through the Fund to Support Children's Future. Our donations have been used for NPOs engaged in helping children suffering from poverty.



ALSOK also supports the continuation of traditional events, encourages employee participation to contribute to their success and provides patronage for local culture and arts. In particular, the ALSOK SHISHIMAI (Lion Dance) CLUB's activities have been certified as a This is MECENAT 2019 activity by the Association for Corporate Support of the Arts. Members of this club receive instruction from a master of the Daikagura lion dance and perform their dance at customer companies and events.



**THIS IS MECENAT 2019**





# Consideration for the Global Environment

Understanding that environmental issues affect all of humanity, ALSOK is working to reduce the environmental impact of its operations and has set goals for the reduction of CO<sub>2</sub> emissions and other environmental indicators while engaging in initiatives to address climate change and preserve the natural environment. The Company shapes such initiatives based on the United Nations Framework Convention on Climate Change and other global consensus and targets.

## Initiatives for Environmental Management Systems



Environment-related committee meetings using a low power consumption LCD multi-system with a large screen

Recent years have seen increased movement toward establishing global consensus and targets related to the environment, including the United Nations Framework Convention on Climate Change and the Paris Agreement, which was negotiated at the 2015 United Nations Climate Change Conference. In April 2006, ALSOK established the Green Purchasing Guidelines to guide it in developing its business while exercising a greater degree of responsibility for global environmental issues. We coordinate with suppliers and business partners (supply chains) in a drive to step up environmental preservation initiatives that encompass the manufacture, use, and disposal stages of our product lifecycles.

Furthermore, the Company established environmental policies and acquired ISO 14001 certification for certain operating sites in 2016 to help realize a sustainable society. The Environmental Committee plays a central role in implementing a plan-do-check-act (PDCA) cycle with regard to our environmental management system in order to promote eco-friendly action on a Companywide level. In 2018, we expanded the coverage of the certification to 64 regional offices nationwide.

### Green Purchasing Guidelines

ALSOK endeavors to use resources more effectively in the security equipment it employs and to limit waste. At the same time, the Company coordinates with business partners to promote environmental preservation initiatives that encompass the manufacturing, use, and disposal stages of the Company's product lifecycles.

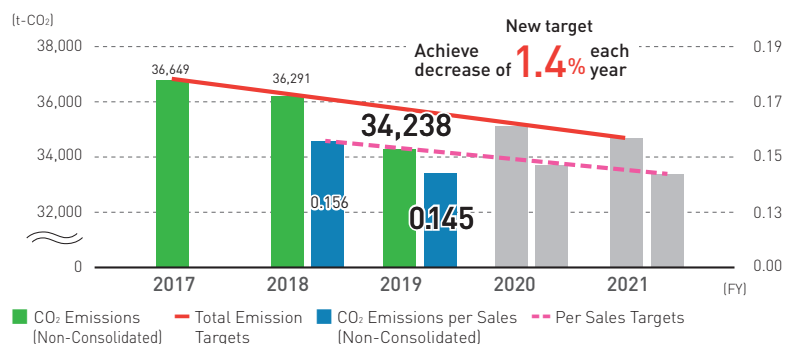
### Environmental Policies

As a leader in providing security and other related services, ALSOK recognizes that global environmental concerns are common issues for all of humanity. Exercising the principles of "arigato no kokoro" and "bushi no seishin" described in its Management Philosophy, the Company formulates environmental policies and institutes ongoing improvements to its environmental management system to contribute to the realization of a sustainable society.

## New Environmental Targets

The Japanese government has announced its Plan for Global Warming Countermeasures. With the fiscal year ended March 31, 2014 as the base year, this plan puts forth a medium-term target of achieving a 26% reduction in total greenhouse gas emissions by the fiscal year ending March 31, 2031, and a long-term target of accomplishing an 80% reduction by 2050. Following this example, in 2017 ALSOK set a new short-term target of achieving a year-on-year decrease of 1.4% in CO<sub>2</sub> emissions each year leading up to the fiscal year ending March 31, 2021. (Results of the fiscal year ended March 31, 2019 revealed a 5.7% reduction compared with the previous term.) We also set a new medium-term target of achieving a 26% reduction for the fiscal year ending March 31, 2031, from the level in the fiscal year ended March 31, 2014, and a new long-term goal of reducing CO<sub>2</sub> emissions by 80% of this year's level by 2050. In 2018, we have set a new goal of reducing CO<sub>2</sub> emissions per sales by 1.4% every year (we have achieved a 7.0% year-on-year reduction in the fiscal year ended March 31, 2019).

CO<sub>2</sub> Emissions Reduction Targets (Total Emissions and Emissions per Sales) and New Short-Term Targets and Performance



## ■ “3Rs” and Energy Conservation Initiatives

ALSOK is 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. For example, articles to be disposed of at branches in the Tokyo metropolitan area are accumulated at our repair center in Shin Yokohama, which categorizes, repairs, ships, and properly disposes of or recycles these items. In the year under review, the average ratio of items reused at all branches across Japan as a result of these initiatives came to approximately 39%, an increase of 4 percentage points over the previous year.

In addition, the rechargeable nickel-cadmium batteries used in our various power supply equipment are recycled for reuse, and approximately 33,000 batteries were recycled in this manner during the year under review. These initiatives are featured on the Plastics Smart campaign website of the Ministry of the Environment.



Implemented electric vehicles

Mindful that we have many offices, facilities, and vehicles for business use throughout Japan, we are making a concerted effort to reduce electricity usage and vehicle fuel consumption volumes. In the fiscal year ended March 31, 2019, we worked to cultivate a mind-set focused on electricity conservation among employees while 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 5.4% reduction in fuel usage reduced and a 3.4% reduction in electricity usage in comparison with the previous fiscal year. Vehicle fuel consumption also improved by 8.1% from the previous fiscal year.



## ■ Environmental Consideration

ALSOK seeks to limit the use of certain hazardous substances and promote environmentally friendly design in procurement and development activities.

In procurement operations, we consider raw ingredients, reduction of hazardous substances, product reuse and easy-to-reuse design, improvement of durability (lifespan), packaging, energy-saving measures, and reduction of environmental load in waste disposal. In addition, we also work toward the reduction of CO<sub>2</sub> emissions during the provision of services. One of our approaches is the digitalization of business logs and security reports.

In addition to approaches through business activities, we participate in the Tokyo 2020 Medal Project—making medals out of discarded devices such as mobile phones (sponsored by the Tokyo 2020 Organizing Committee) and the ALSOK Group as a whole has supplied 5,149 discarded mobile phones.



Collection box

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



Underbrush weeding

## ■ Ongoing Reforestation Activities in Disaster-Stricken Areas

In 2015, we conducted reforestation activities in collaboration with the NPO Laboratory of Earth Conscious Life, planting approximately 2,000 Japanese black pine saplings on the Hasunuma coastline in Sammu City, Chiba Prefecture, an area that suffered severe damage in the Great East Japan Earthquake, as part of our social contribution initiatives commemorating ALSOK’s 50th anniversary. The aim of these activities was to help preserve the coastline environment and revive a forest that had previously played an important part in limiting disaster damage. After planting saplings, underbrush must be cleared for at least several years to ensure healthy development. Such activities were conducted for the fourth time in September 2018. In addition to helping preserve the environment, this can truly be called a unique social contribution activity leading to the security and safety of the disaster-stricken areas.

## Basic Policies and Systems

Based on its management philosophy exemplified by the principles of “*arigato no kokoro*” (a feeling of gratefulness and gratitude) and “*bushi no seishin*” (a samurai spirit), ALSOK devotes itself to protecting the safety and security of its customers and of society as a whole. The ALSOK Group also advocates “contributing to society” as one of its management policies. 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.

### History of ALSOK's Corporate Governance

Year		2003	2013	2015	2016	2018
Board of Directors	Number of members	7	8	7	8	10
	Outside		1	2	3	4
Audit & Supervisory Board	Number of members	4	5			4
	Outside	3	2			3

### Revisions to the Rules

June 2002	Introduction of the Executive Officer System
November 2002	Formulation of the Compliance Rules
December 2002	Formulation of the Risk Management Rules
April 2004	Setting up of the ALSOK Hotline
August 2004	Formulation of the Basic Information Security Policy
September 2004	Establishment of Information Asset Management Committee
December 2004	Formulation of the Personal Information Security Policy
May 2006	Formulation of the Basic Policy Related to the Internal Control System
July 2009	Formulation of Information Asset Management Rules
April 2016	Setting up of an external reporting hotline under the ALSOK Hotline

## Overview of Corporate Governance Systems and Reasons for Adoption

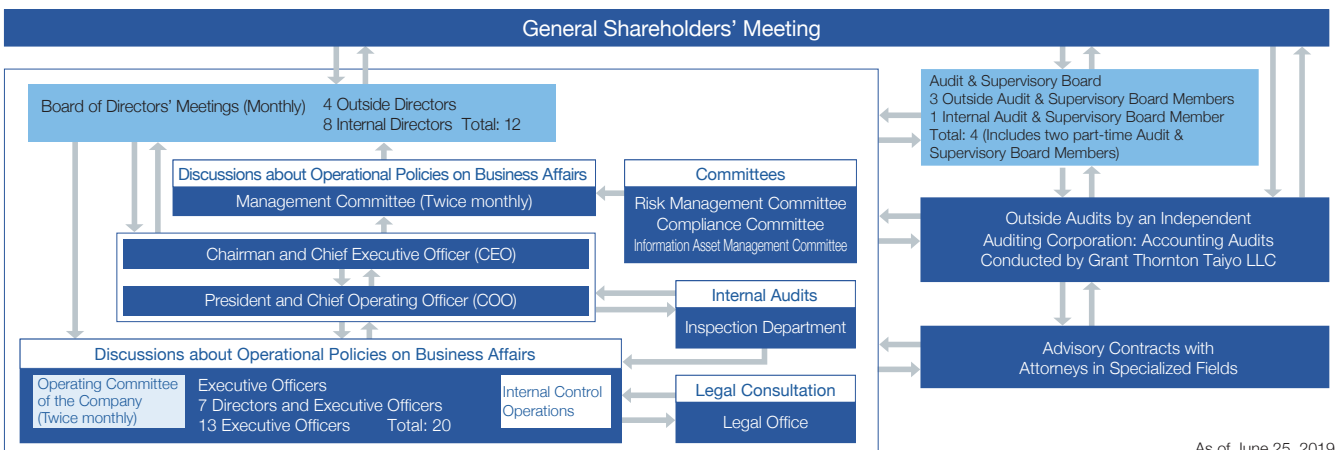
The Company has adopted the Company with Audit & Supervisory Board structure described in the Companies Act of Japan. By implementing the following systems, the Company affirms that effective and complete audits are conducted by Audit & Supervisory Board members and that management is being appropriately governed. The Company has appointed 12 directors, four 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 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 of June 25, 2019



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

Outside directors and outside Audit & Supervisory Board members are assumed to cover the functions of observation and supervision of the management team with objective and neutral standpoints.

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 from general managers in charge of each business and others 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 conduct audits at the premises of regional offices and subsidiaries in the same manner as other Audit & Supervisory Board members. They also coordinate with the Inspection Department and the independent auditing corporation employed by the Company in regard to supervision by outside directors,

audits by Audit & Supervisory Board members, internal audits, and accounting audits. To facilitate this coordination, the outside Audit & Supervisory Board members periodically exchange information with these bodies.

The participation of the outside directors in meetings of the Board of the Directors enables them to monitor the operational execution of other directors with regard to Internal Control Operations and other matters from an independent standpoint.

The outside Audit & Supervisory Board members also evaluate the legality of the measures implemented by Internal Control Operations in the same manner as other Audit & Supervisory Board members. To this end, they perform both operational and accounting audits of the organization and review all relevant documents. The Company employs four outside directors and three outside Audit & Supervisory Board members; applications have been submitted to the Tokyo Stock Exchange, identifying each of these individuals as independent officers.

### Reason for Election as an Outside Director

Name	Reason for Election	Attendance at Board of Directors Meetings (FY2019)
Masakazu Iwaki	Mr. Masakazu Iwaki possesses abundant experience and insight, and advanced ability, developed as a manager at a major steel manufacturer over many years. He can be expected to contribute to enhancing and strengthening the corporate governance of the Group and further improvement in corporate value, through providing valuable opinions from a broad perspective regarding management, and therefore the Company has elected him again as an Outside Director.	14/14 times
Seiei Ono	Mr. Seiei Ono possesses abundant international experience and insight, and advanced ability, developed as a manager at a major trading company and elsewhere over many years. He can be expected to contribute to enhancing and strengthening the corporate governance of the Group and further improvement in corporate value, through providing valuable opinions from a broad perspective regarding management, and therefore the Company has elected him again as an Outside Director.	14/14 times
Hideharu Kadowaki	Mr. Hideharu Kadowaki possesses abundant experience and insight, and advanced ability, developed as a manager at a major financial institution and elsewhere over many years. He can be expected to contribute to enhancing and strengthening the corporate governance of the Group and further improvement in corporate value, through providing valuable opinions from a broad perspective regarding management, and therefore the Company has elected him again as an Outside Director.	11/11 times (After the assumption of office in June 2018)
Toyoaki Ando	Mr. Toyoaki Ando possesses abundant experience and insight, and advanced ability, developed through serving in important positions at a major non-life insurance company over many years. He can be expected to contribute to enhancing and strengthening the corporate governance of the Group and further improvement in corporate value, through providing valuable opinions from a broad perspective regarding management, and therefore the Company has elected him as a new Outside Director.	— (Assumed office in June 2019)

## Observation of Japan's Corporate Governance Code

The Company observes the principles put forth by Japan's Corporate Governance Code, which was formulated by the Tokyo Stock Exchange, 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. 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.

## Policies and Methods for Deciding Compensation Amounts

Annual limits of ¥400 million for the compensation of directors and ¥120 million for the compensation of Audit & Supervisory Board members have been set at the General Shareholders' Meeting.

The compensation of directors includes a fixed amount, calculated according to their positions and whether they are an outside director or not, as well as a performance-linked amount, calculated based on an evaluation of the operational execution performance of individual directors in the previous fiscal year conducted in accordance with predetermined standards. Decisions regarding the exact amounts of compensation of directors are made by the Board of Directors.

The compensation of Audit & Supervisory Board members is paid as a fixed amount, and the exact amounts of compensation are decided in accordance with standards set by the Audit & Supervisory Board.

## Internal Control System

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

The management of the ALSOK Group carried out an evaluation of the Group's internal control system as of March 31, 2019, based on the Financial Instruments and Exchange Act. This evaluation found that the internal control system is effective, which has been noted in the report on the internal control system. The independent auditing corporation, Grant Thornton Taiyo LLC, has also expressed the opinion that the result of the evaluation by the management noted in the internal control report is accurate.

## Compliance

The Company has established the Compliance Committee, which is headed by the executive officer in charge of compliance, to promote legal 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 illegal, inappropriate, or unethical behavior

they may witness via email, telephone, or written statement without fear of suffering disadvantageous treatment. On April 1, 2016, the Company established an external reporting hotline to add to the already existing internal hotline.

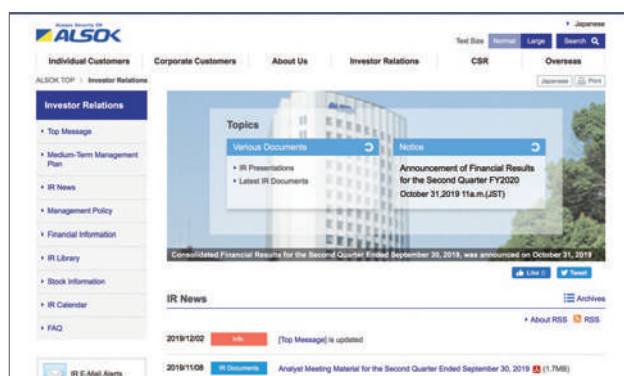
## Risk Management

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.

## 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  
<https://www.alsok.co.jp/en/ir/>



## Message from an Outside Director

# For Further Growth and Corporate Value Enhancement

Outside Director **Toyoaki Ando**

### Profile

Joined Tokio Marine & Fire Insurance (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.) after graduating from Osaka University. After working in the Casualty Service Operation Department and serving as the General Manager of the Risk Management Department and the Retail Products Operation Department, he was appointed as an Executive Officer in 2009, Managing Executive Officer in 2011, and Managing Director in 2013. In 2015, he assumed office as Managing Director of the General Insurance Rating Organization of Japan. He has been serving as an Outside Director of ALSOK since June 2019.



## Changes in Society and Responding to Them

I have been engaged in the business of property insurance for 40 years in total, of which 36 years at a property & casualty insurance company and four years at an industry association. In recent years, risks facing those throughout the world have changed and grown. For example, most fire insurance claims are now paid for damages as a result of natural disasters such as typhoons. At the same time, technological innovations such as self-driving and the fact that people are living longer now bring about new risks.

While insurance is basically to provide after-the-fact monetary compensation for various damage, insurance companies have traditionally provided incidental loss prevention services, such as risk diagnosis for fire prevention and safe driving instructions, as before-the-fact accident prevention activities. In this sense, insurance can be seen as risk management services in a broad sense similar to security services.

I see that responding quickly to customer needs for safety and security that are increasing and diversifying in recent years, ALSOK is actively entering into new business fields such as long-term care and cybersecurity services, applying state-of-the-art technologies such as AI and robotics to its business.

## Impression of ALSOK

I have not had many opportunities to talk directly with individual employees of ALSOK, but all of them I met were well-mannered and gave me the impression that they are properly disciplined as can be seen, for example, from their meticulous administrative work. I imagine that this reflects the tone of the top and they have been through strict education as a person engaging in security services in which customers' trust is the most important thing of all.

## For Further Growth in the Future

In recent years, well-established large corporations with a long history have been frequently involved in accidents, scandals, and compliance violations of a kind that is hard to believe. In these cases, although specific circumstances differ, the underlying structural or psychological factors at the root of these corporations appear to be similar.

As ALSOK continues to grow in size, there may be a risk that there will be a small crack in the current disciplined operations and the Company will be caught off guard.

As an Outside Director, drawing on my experience in risk management at a property & casualty insurance company, I will strive to check such risks and make recommendations as necessary, while paying attention to the interest of various stakeholders and contributing to further growth and corporate value enhancement of ALSOK.

Directors, Audit & Supervisory Board Members,  
and Executive Officers (As of June 25, 2019)



Back row, from left

**Makoto Uenoyama**   **Takeshi Oiwa**   **Shinichiro Nakano**   **Akira Kono**   **Ikuji Kayaki**

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

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

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

Audit & Supervisory Board Member

Vice President and Representative Director  
Senior Executive Vice President  
Head of ALSOK In-house Company

Front row, from left

**Hideharu Kadowaki**   **Masakazu Iwaki**   **Atsushi Murai**

Director (Outside Director)

Director (Outside Director)

Chairman and Representative Director  
Chief Executive Officer (CEO)



Hirohisa Hokari

Director  
Executive Vice President

Tsuyoshi Murai

Director  
Executive Vice President

Shigeki Nomura

Director  
Senior Executive Officer

Masato Yagi

Director  
Senior Executive Officer

Motohisa Suzuki

Director  
Senior Executive Officer

Yukiyasu Aoyama

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

Seiei Ono

Director (Outside Director)

Toyoaki Ando

Director (Outside Director)

# Directors, Audit & Supervisory Board Members, and Executive Officers (As of June 25, 2019)

## 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)

(Term of office as Chairman of the All Japan Security Service Association)  
May 2006 to May 2010

## 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  
Apr. 2011: Chief Operating Officer (Current)  
Apr. 2012: President and Representative Director (Current)  
Senior Executive President (Current)

(Term of office as Chairman of the All Japan Security Service Association)  
Jun. 2014 to Jun. 2019

## Ikuji Kayaki

Vice President and Representative Director  
Senior Executive Vice President  
Head of ALSOK In-house Company  
Chief Officer of Business Promotion Affairs  
East Japan Area  
Corporate Customer  
Business Promotion in East Japan Area

Apr. 1982: Joined the Company  
Apr. 2011: Chief Officer of Regional Division (IV)  
Apr. 2012: Executive Officer  
Apr. 2014: Deputy Chief Officer of Security Operations In charge of Structural Reform (Transportation Security Services)  
Apr. 2015: Senior Executive Officer  
Chief Officer of Security Operations  
Jun. 2017: Director and Senior Executive Officer  
Apr. 2018: Executive Vice President and Representative Director (Current)  
Head of ALSOK In-house Company (Current)  
In charge of East Japan (Current)  
Deputy Chief Officer of Business Promotion Affairs in charge of Corporate Customers  
Apr. 2019: Vice President and Representative Director (Current)  
Senior Executive Vice President (Current)  
Chief Officer of Business Promotion Affairs in charge of Corporate Customers (Current)  
In charge of Business Promotion in East Japan Area (Current)

## Hirohisa Hokari

Director  
Executive Vice President  
Deputy Chief Officer of Business Promotion Affairs  
Chief Officer of International Affairs  
International Affairs  
Business Planning & Management  
Sales Promotion  
Financial Affairs

Apr. 2010: Director-General of Operations Department at Bank of Japan (Resigned in Jun. 2011)  
Jun. 2011: Joined the Company as Executive Officer  
In charge of Business Planning and Financial Institution  
Marketing & Sales Promotion  
General Manager of Business Planning Department  
Feb. 2012: Senior Executive Officer  
Deputy Chief Officer of Business Promotion Affairs (Current)  
In charge of Business Planning & Management  
Apr. 2012: In charge of Financial Institution Services and Transportation Security Services  
Apr. 2014: In charge of General Affairs/Corporate Planning, Financial Institution Services, Compliance, Risk Management, and Information Asset Management  
Jun. 2014: Director and Senior Executive Officer  
Apr. 2016: In charge of Corporate Planning & Administration, Strategic Business, Business Planning & Management (Current) and Financial Affairs (Current)  
Apr. 2018: Executive Vice President and Director (Current)  
In charge of Sales Promotion (Current)  
Apr. 2019: In charge of International Affairs (Current)  
Chief Officer of International Affairs (Current)

## Tsuyoshi Murai

Director  
Executive Vice President  
Human Resources  
General Affairs/PR  
Tokyo 2020 Olympic and Paralympic Games Promotion  
Affairs in Charge of Promotion  
Corporate Ethics  
Compliance  
Risk Management  
Information Assets Management

Jul. 1997: Joined the Company  
Jun. 2007: Chief Officer of Home Marketing Division  
Apr. 2010: Executive Officer  
Chief Officer of Regional Division (I)  
Feb. 2011: In charge of General Property Management  
Mar. 2011: President and Representative Director, Japan Facilio Co., Ltd. (Seconded, resigned in Mar. 2014)  
Apr. 2014: Senior Executive Officer  
Deputy Chief Officer of Business Promotion Affairs  
In charge of Business Planning & Management and Regional Financial Institution Services  
Apr. 2016: In charge of Human Resources (Current) and Corporate Ethics (Current)  
Jun. 2016: Director and Senior Executive Officer (Current)  
Apr. 2018: In charge of General Affairs/PR (Current), Compliance (Current), Risk Management (Current) and Information Assets Management (Current)  
Chief Officer of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs  
May 2018: In charge of Central Japan Area  
Deputy Chief Officer of Business Promotion Division  
In charge of Business Promotion in Central Japan Area  
Apr. 2019: Executive Vice President and Director (Current)  
Tokyo 2020 Olympic and Paralympic Games Promotion Affairs in charge of Promotion (Current)

## Shigeki Nomura

Director  
Senior Executive Officer  
Deputy Chief Officer of Business Promotion Affairs  
West Japan Area  
Business Promotion in West Japan Area

Apr. 1984: Joined the Company  
Apr. 2011: General Manager of Human Resources Department  
Jun. 2011: Executive Officer  
In charge of Human Resources  
Apr. 2014: Senior Executive Officer  
In charge of Central Japan Area  
Deputy Chief Officer of Business Promotion Affairs  
In charge of Business Promotion in Central Japan Area  
Chief Officer of Regional Division (III)  
Apr. 2017: Chief Officer of Regional Division (VII)  
Jun. 2017: Director and Senior Executive Officer (Current)  
May 2018: In charge of West Japan Area  
Deputy Chief Officer of Business Promotion Affairs  
In charge of Business Promotion in Kansai Area  
Apr. 2019: Deputy Chief Officer of Business Promotion Affairs (Current)  
In charge of Business Promotion in West Japan Area

## Masato Yagi

Director  
Senior Executive Officer  
Chief Officer of Regional Division (I)  
Deputy Chief Officer of Business Promotion Affairs  
Metropolitan Area

Apr. 1979: Joined the Company  
Apr. 2011: Chief Officer of Regional Division (VII)  
Apr. 2012: Executive Officer  
Apr. 2015: Chief Officer of Regional Division (I) (Current)  
Apr. 2016: Senior Executive Officer  
Apr. 2018: In charge of Metropolitan Area (Current), Deputy Chief Officer of Business Promotion Affairs (Current)  
Jun. 2018: Director and Senior Executive Officer (Current)

## Motohisa Suzuki

Director  
Senior Executive Officer  
Chief Officer of Tokyo 2020 Olympic and Paralympic Games  
Promotion Affairs  
Security Operations  
Structural Reform (Transportation Security Services)

Jan. 2015: Director of Traffic Bureau, National Police Agency (Resigned in Jan. 2016)  
Apr. 2016: Joined the Company as Senior Executive Officer (Current)  
In charge of General Affairs/PR and Procurement  
Second in charge of Security Operations  
In charge of HOME ALSOK, Compliance, Risk Management and Information Asset Management  
Deputy Chief Officer of Business Promotion Affairs  
Apr. 2018: In charge of Security Operations (Current)  
In charge of Structural Reform (Transportation Security Services) (Current)  
Deputy Chief Officer of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs  
Apr. 2019: Chief Officer of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs (Current)  
Jun. 2019: Director and Senior Executive Officer (Current)

**Masakazu Iwaki**

Director (Outside Director)

Jun. 2010: Representative and Executive Vice President, Nippon Steel Corporation (Currently NIPPON STEEL CORPORATION, resigned in Mar. 2014)  
 Apr. 2014: Member of the Board, NIPPON STEEL & SUMITOMO METAL CORPORATION (Currently NIPPON STEEL CORPORATION, resigned in Jun. 2014)  
 Jun. 2014: Executive Advisor, NIPPON STEEL & SUMITOMO METAL CORPORATION  
 Jun. 2016: Joined the Company as Outside Director (Current)  
 Jul. 2016: Advisor, NIPPON STEEL & SUMITOMO METAL CORPORATION (Currently NIPPON STEEL CORPORATION, resigned in Jun. 2017)

**Seiei Ono**

Director (Outside Director)

Apr. 2009: Executive Vice President, Mitsubishi Corporation (Resigned in Mar. 2013)  
 Apr. 2010: President, Mitsubishi International Corporation (Resigned in Mar. 2012)  
 Apr. 2012: Regional CEO, North America (Concurrently) President, Mitsubishi Corporation (Americas) (Resigned in Mar. 2013)  
 Dec. 2013: Executive Vice President and Representative Director, Mitsubishi Research Institute, Inc.  
 Dec. 2014: Executive Vice President and Representative Director, Mitsubishi Research Institute, Inc. (Resigned in Dec. 2016)  
 Dec. 2016: Executive Advisor, Mitsubishi Research Institute, Inc. (Resigned in Dec. 2017)  
 Jun. 2017: Joined the Company as Outside Director (Current)

**Hideharu Kadowaki**

Director (Outside Director)

Apr. 2001: Representative Director, Senior Managing Director, and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation (Resigned in Nov. 2002)  
 Dec. 2002: Representative Director and Senior Managing Director, Sumitomo Mitsui Financial Group, Inc. (Resigned in Mar. 2004)  
 Jun. 2003: Deputy President and Representative Director, Sumitomo Mitsui Financial Group, Inc. (Resigned in Jun. 2008)  
 Jun. 2004: Chairman, The Japan Research Institute, Limited (Resigned in Jun. 2008)  
 Jun. 2008: Special Adviser and Senior Fellow, The Japan Research Institute, Limited (Current)  
 Jun. 2018: Joined the Company as Outside Director (Current)

**Toyoaki Ando**

Director (Outside Director)

Jun. 2009: Executive Officer, Tokio Marine & Nichido Fire Insurance Co., Ltd.  
 Jun. 2011: Managing Executive Officer, Tokio Marine & Nichido Fire Insurance Co., Ltd.  
 Jun. 2013: Managing Director, Tokio Marine & Nichido Fire Insurance Co., Ltd. (Resigned in Mar. 2015)  
 Apr. 2015: Advisor, Tokio Marine & Nichido Fire Insurance Co., Ltd. (Resigned in Jun. 2015)  
 Jun. 2015: Managing Director, General Insurance Rating Organization of Japan (Current)  
 Jun. 2019: Joined the Company as Outside Director (Current)

**Akira Kono**

Audit & Supervisory Board Member

Apr. 1980: Joined the Company  
 Jun. 2012: General Manager of Business Management Department  
 Apr. 2014: General Manager of Human Resources Department  
 Apr. 2016: Executive Officer, in charge of Human Resources  
 Apr. 2017: Chief Officer of Regional Division (V)  
 Jun. 2019: Standing Audit & Supervisory Board Member (Current)

**Shinichiro Nakano**

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

Jun. 2008: General Manager of Risk Management Division, The Norinchukin Bank  
 Jun. 2012: General Manager of Planning Management Division, The Norinchukin Bank  
 Jun. 2014: Managing Director, The Norinchukin Bank (Resigned in Mar. 2019)  
 Director, Norinchukin Value Investments Co., Ltd. (Resigned in Mar. 2018)  
 Director, The Norinchukin Trust & Banking Co., Ltd. (Resigned in Mar. 2019)  
 Auditor, Kyodo Housing Loan Co., Ltd. (Resigned in Jun. 2019)  
 Apr. 2019: Standing Advisor, The Norinchukin Bank (Resigned in Jun. 2019)  
 Jun. 2019: Joined the Company as Outside Audit & Supervisory Board Member (Current)

**Takeshi Oiwa**

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

Apr. 2007: Managing Executive Officer, Sampo Japan Insurance Inc. (Currently Sampo Japan Nipponkoa Insurance Inc.)  
 Jun. 2007: Director and Managing Executive Officer, Sampo Japan Insurance Inc. (Currently Sampo Japan Nipponkoa Insurance Inc.)  
 Jun. 2010: Director and Senior Managing Executive Officer, Sampo Japan Insurance Inc. (Currently Sampo Japan Nipponkoa Insurance Inc.)  
 Jan. 2011: Deputy President and Director, Sampo Japan Insurance Inc. (Currently Sampo Japan Nipponkoa Insurance Inc., resigned in Mar. 2011)  
 Apr. 2011: Audit & Supervisory Board Member, Nippon Export and Investment Insurance (Resigned in Mar. 2017)  
 Jun. 2011: Joined the Company as Outside Audit & Supervisory Board Member  
 Jun. 2017: Joined the Company as Standing Audit & Supervisory Board Member (Outside)  
 Jun. 2019: Joined the Company as Outside Audit & Supervisory Board Member (Current)

**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 Standing Audit & Supervisory Board Member (Outside)  
 Apr. 2015: Associate, Panasonic Corporation (Current)  
 Jun. 2017: Joined the Company as Outside Audit & Supervisory Board Member (Current)

**Executive Officers**

**Kazuhide Shigemi**

Senior Executive Officer  
 Corporate Planning & Administration  
 Strategic Business

**Takashi Kumagai**

Senior Executive Officer  
 Deputy Chief Officer of Business Promotion Affairs  
 Long-term Care Management Company HOME ALSOK  
 Second in Charge of R&D Engineering Affairs

**Koji Kishimoto**

Senior Executive Officer  
 Financial & Accounting Internal Control Procurement

**Kazumi Suzuki**

Senior Executive Officer  
 R&D Engineering Affairs

**Norihiko Mizutani**

Senior Executive Officer  
 Deputy Chief Officer of Business Promotion Affairs  
 Central Japan Area General Property Management and Installation Business Promotion in Central Japan Area  
 Business Promotion of General Property Management and Installation

**Naoki Hyakutake**

Executive Officer  
 Human Resources

**Hiroyoshi Yoshida**

Executive Officer  
 Tokyo 2020 Olympic and Paralympic Games Promotion Affairs

**Seiji Ono**

Executive Officer  
 Business Planning and Sales Promotion

**Yasuhiro Yoshimoto**

Executive Officer  
 General Property Management and Fire Protection Services

**Yoshio Kumazaki**

Executive Officer  
 Chief Officer of Regional Division (III)

**Ken Takahashi**

Executive Officer  
 Chief Officer of Regional Division (V)

**Yoshiharu Nagashima**

Executive Officer  
 Chief Officer of Regional Division (VI)

**Atsushi Komori**

Executive Officer  
 Chief Officer of Regional Division (VII)

## Management Indexes

	2009	2010	2011	2012
Fiscal years ended March 31				
<b>Profit and loss (Millions of yen)</b>				
Net sales	285,004	278,579	279,272	304,723
Cost of sales	215,711	210,097	209,364	232,812
Gross profit	69,292	68,482	69,908	71,910
Selling, general and administrative expenses	59,349	59,211	59,555	61,100
Operating income	9,943	9,270	10,352	10,810
Ordinary income	10,630	10,819	11,765	12,558
Profit attributable to owners of parent	4,224	4,563	4,706	3,903
<b>Profitability</b>				
Gross profit margin (%)	24.3	24.6	25.0	23.6
Operating income margin (%)	3.5	3.3	3.7	3.5
Ordinary income margin (%)	3.7	3.9	4.2	4.1
Return on assets (ROA) (%)	3.6	3.8	4.2	4.4
Return on equity (ROE) (%)	3.1	3.3	3.3	2.7
EV/EBITDA (Times)*	3.0	2.3	1.4	1.4
<b>Stability</b>				
Equity capital ratio (%)	47.7	50.9	50.3	51.3
Equity capital ratio on market-value basis (%)	29.5	39.4	32.0	34.8
Interest-bearing liabilities (Millions of yen)	66,247	51,318	49,311	39,270
Interest coverage ratio (Times)	20.7	24.0	20.1	34.1
<b>Efficiency</b>				
Total asset turnover ratio (Times)	1.0	1.0	1.0	1.1
Shareholders' equity turnover ratio (Times)	2.1	2.0	2.0	2.1
Tangible fixed assets turnover ratio (Times)	5.0	4.9	4.9	5.2
<b>Per share information</b>				
Net assets per share (Yen)	1,364.33	1,397.90	1,421.67	1,446.93
Profit attributable to owners of parent per share (Yen)	41.90	45.39	46.82	38.83
Price-book value ratio (Times)	0.6	0.8	0.6	0.7
Price earnings ratio (Times)	20.2	23.9	19.3	25.3
Dividends per share (Yen)	20	20	20	20
Consolidated dividend payout ratio (%)	47.7	44.1	42.7	51.5
Closing stock price (Yen)	845	1,083	905	982
<b>Other information</b>				
Number of employees (Consolidated)	26,960	27,322	27,790	27,868
Average number of years of continuous service (Non-consolidated)	11.9	12.3	12.7	13.3
Percentage of employees returning to work after childcare leave (Non-consolidated, total for male and female employees)	—	92.2	90.2	93.3
CO <sub>2</sub> emissions volume (Non-consolidated, t-CO <sub>2</sub> )	—	40,871	39,968	38,022

\* 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 securities)  
 EBITDA (Earnings before interest, tax, depreciation and amortization) = Operating income + Depreciation and amortization

Note: Based on the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 2018), financial information for FY2018 and subsequent years has also been restated.



2013	2014	2015	2016	2017	2018	2019
315,564	328,209	365,749	381,818	413,343	435,982	<b>443,535</b>
242,410	248,900	276,116	282,880	310,704	330,493	<b>334,197</b>
73,153	79,308	89,632	98,937	102,639	105,489	<b>109,338</b>
61,363	60,375	66,660	69,901	74,217	75,378	<b>77,057</b>
11,790	18,932	22,971	29,036	28,422	30,111	<b>32,280</b>
14,741	20,745	24,700	30,667	30,309	31,913	<b>33,881</b>
8,574	10,955	13,534	17,868	18,330	19,344	<b>22,269</b>
23.2	24.2	24.5	25.9	24.8	24.2	<b>24.7</b>
3.7	5.8	6.3	7.6	6.9	6.9	<b>7.3</b>
4.7	6.3	6.8	8.0	7.3	7.3	<b>7.6</b>
5.1	6.5	6.9	8.5	8.2	8.2	<b>8.4</b>
5.7	7.0	7.8	9.9	9.7	9.3	<b>9.9</b>
2.7	5.3	10.1	13.4	8.7	10.7	<b>8.7</b>
52.1	46.2	48.4	51.9	51.0	55.0	<b>56.8</b>
46.5	63.5	110.1	175.4	108.2	134.3	<b>119.0</b>
37,455	71,666	73,699	47,210	65,599	52,658	<b>47,412</b>
36.9	36.4	28.5	30.1	54.2	25.8	<b>18.1</b>
1.1	1.0	1.0	1.1	1.1	1.1	<b>1.1</b>
2.1	2.1	2.1	2.1	2.2	2.1	<b>2.0</b>
5.4	5.2	5.4	5.3	5.1	4.9	<b>5.0</b>
1,536.30	1,574.74	1,800.15	1,805.09	1,956.25	2,155.74	<b>2,302.38</b>
85.30	108.99	134.65	177.77	182.37	191.93	<b>219.98</b>
0.9	1.4	2.3	3.4	2.1	2.4	<b>2.1</b>
16.1	19.9	30.4	34.3	22.8	27.5	<b>21.9</b>
25	30	38	50	55	60	<b>66</b>
29.3	27.5	28.2	28.1	30.2	31.3	<b>30.0</b>
1,373	2,164	4,095	6,100	4,155	5,260	<b>4,820</b>
28,054	28,091	31,221	31,446	36,693	37,519	<b>37,417</b>
13.8	14.4	14.9	15.4	15.9	16.4	<b>16.8</b>
97.6	92.4	96.6	93.7	91.3	98.3	<b>98.1</b>
38,587	41,377	39,212	37,390	36,649	36,291	<b>34,238</b>

## Management's Discussion and Analysis

### Analysis of Business Performance

#### Operating Environment

#### Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018–March 31, 2019)

During the year under review, the Japanese economy sustained a modest recovery overall. However, the business sentiments of large companies took a turn for the worse due to deceleration in the Chinese economy and stagnation in IT demand that have continued since the New Year. In addition, a sense of uncertainty regarding future business conditions continues to spread, spurred on by trade conflicts between the United States and China, deceleration in the Chinese economy, confusion in the European economy centered on concerns regarding the United Kingdom's decision to leave the European Union, geopolitical risks related to conditions on the Korean Peninsula and in the Middle East, and unstable financial markets.

With regard to public safety in Japan, the number of reported crimes continues to decrease yearly. However, people's everyday lives continue to be affected by crimes, including malicious crimes and special-case scams targeting senior citizens and differently abled individuals, such as theft through telephone fraud; stalking; crimes aimed at women and children; and automobile attacks of pedestrians in busy commercial areas. In addition, risks surrounding society at large are diversifying and include successive cases of natural disasters, international terrorism, cybercrime, and information leaks.

#### Operating Results

In this environment, the ALSOK Group formulated its Medium-Term Management Plan, Grand Design 2020, in May 2018. In accordance with this plan, the Company is aiming to become an integrated safety and security solutions provider that supports the safety and security of customers and society. It is also striving for further evolution and deepening of its Security Services business and other related businesses in order to respond to each customer's and social needs

for safety and security. The ALSOK Group is planning to introduce systems that support the safe and secure execution of events by allowing all on-site staff to work with the "eyes of security guards" and form networks as security communities. These systems, which the Company aims to implement at the Rugby World Cup 2019 and Olympic and Paralympic Games Tokyo 2020, include ALSOK Zone Security Management, which provides comprehensive and three-dimensional monitoring using various ICT equipment, such as sensors, surveillance cameras, and robots, and ALSOK Hyper Security Guard, security guards who are also armed with ICT equipment, including wearable cameras. Moving forward, the Company will aim to develop its services in order to provide swifter and more wide-ranging security capabilities and achieve an optimized cost efficiency.

As a result, consolidated net sales rose 1.7% year on year, to ¥443,535 million; operating income grew 7.2%, to ¥32,280 million; ordinary income rose 6.2%, to ¥33,881 million; and profit attributable to owners of parent expanded 15.1%, to ¥22,269 million.

### Sales by Business Segment

During this fiscal year, the Company reorganized its reportable segments and revised its method of allocating certain earnings and expenses. For purposes of year-on-year comparison, operating performance for the preceding fiscal year has been restated to match the revised categories and allocation methods.

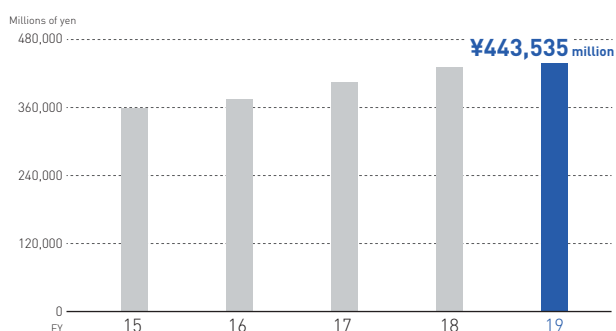
#### Security Services

#### Electronic Security Services

Within the Security Services segment, the Company has provided services for corporate clients that offer solutions that respond to the varied needs of each of these clients through its Electronic Security Services business. These services include ALSOK-ST (read as "ALSOK-Standard"), a standard security system equipped with monitoring and management systems designed to deal with matters

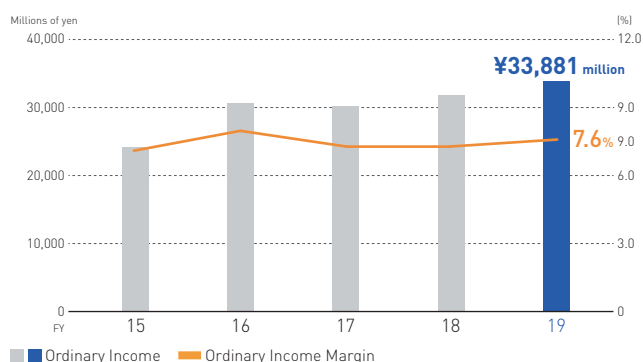
#### Net Sales

Fiscal years ended March 31



#### Ordinary Income/Ordinary Income Margin

Fiscal years ended March 31



such as intrusions, fires, and equipment issues, and ALSOK-GV (read as "ALSOK G-five"), which offers more than simply standard functions; The additional functionality this service provides allows for remote operation of equipment through the Web, access to various security-related information, including information related to when employees arrive at and leave work, and image monitoring. In addition to these services, the Company is also proceeding with initiatives aimed at offering ALSOK-G7, which is equipped with an image monitoring service that utilizes advanced image analysis technology. In services for individual customers, sales were positive for both Home Security Basic, the Company's standard model service for private homes, and for HOME ALSOK Premium, which offers even more fine-tuned functionality to meet the diverse needs of household customers and various household environments. In addition, the Company is working to promote HOME ALSOK MIMAMORI SUPPORT, a service that watches over the elderly and contributes to a society characterized by falling childbirths and an aging population, and its MIMAMORI Tag Service, which supports the construction of regional watch over networks.

**Stationed Security Services**

In the Stationed Security Services business, outsourcing of security operations in manufacturing and other sectors is increasing in the wake of labor shortages while the need for security in newly constructed buildings is growing stronger as urban redevelopment progresses. In addition, upward trends in prices are spreading, reflecting rising personnel expenses. Furthermore, the Company developed and launched its new security robot, REBORG®-Z, which enhances and streamlines stationed security services.

**Transportation Security Services**

In the Transportation Security Services segment, outsourcing orders for comprehensive management of ATM-related and other matters at financial institutions performed strongly, as did orders from businesses

such as retail stores and restaurants for the Cash Deposit and Dispenser Machine On-Line System, which reflected progress in work-style reforms and a continuing labor shortage.

As a result of these factors, sales in the Security Services segment expanded 1.6%, to ¥349,707 million, while operating income grew 5.0%, to ¥34,295 million.

**General Property Management and Fire Protection Services**

In the General Property Management and Fire Protection Services segment, the Company worked to provide comprehensive management services related to the maintenance, management, and operation of various facilities through enhanced intra-Group coordination, which led to strong performance in orders for general property management and cleaning services. As a result, sales rose 1.5%, to ¥62,952 million, and operating income jumped 12.5%, to ¥6,404 million.

**Long-Term Care Services**

In the Long-Term Care Services segment, the Company worked to improve care worker productivity in the wake of labor shortages, as well as occupancy ratios, and experienced positive impact from M&A. These factors led sales to rise 3.3%, to ¥26,599 million, and operating income to soar 129.9%, to ¥272 million.

**Analysis of Individual Items**

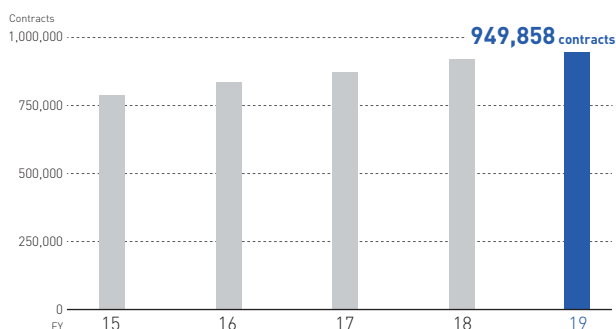
In the year under review, net sales increased ¥7,552 million, or 1.7%, year on year, to ¥443,535 million.

Cost of sales was ¥334,197 million, primarily due to a ¥138 million increase in labor costs and a ¥3,911 rise in miscellaneous expenses, which included subcontract expenses.

Selling, general and administrative expenses were ¥77,057 million and were mainly the result of increases of ¥224 million in welfare expenses, ¥206 million in rent expenses, and ¥163 million in amortization of goodwill.

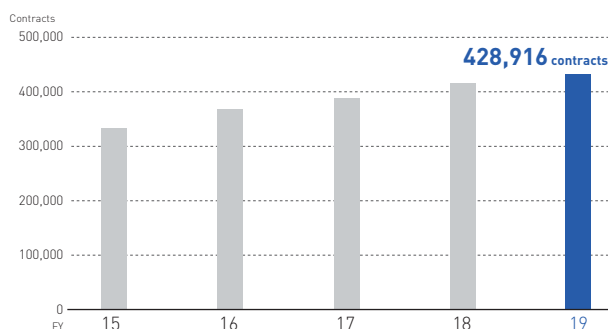
**Number of Electronic Security Services Contracts**

Fiscal years ended March 31



**Number of Contracts for Individual Users**

Fiscal years ended March 31



Ordinary income rose by ¥1,967 million, or 6.2%, to ¥33,881 million, accompanying an increase in operating income.

Extraordinary income increased due to ¥829 million in gain on sales of noncurrent assets and ¥79 million in reversal of provision for loss on dissolution of the employees' pension fund.

Extraordinary loss rose as a result of a ¥286 million increase in loss on valuation of investment securities.

In line with the growth in ordinary income, profit attributable to owners of parent increased ¥2,924 million, or 15.1%, to ¥22,269 million.

Comprehensive income decreased by ¥3,167 million, or 12.4%, to ¥22,346 million. This was due to a ¥4,609 million decrease in remeasurements of defined benefit plans, net of tax, and a decline of ¥1,176 million in valuation difference on available-for-sale securities, which combined to offset an increase of ¥2,717 million in net income.

## Forecast for the Fiscal Year Ending March 31, 2020

In the fiscal year ending March 31, 2020, we expect the Japanese economy to continue its moderate recovery, thanks to the effects of various government measures. However, we will need to pay careful attention to factors such as changes in trade issues and overseas economies, uncertainty regarding government policies, fluctuation in financial and exchange markets and trends in corporate business confidence.

In addition to conventional security needs, we expect the security industry to see growing needs for safety and security in response to changes in internal and external environments. We also anticipate expanding business opportunities due to increased needs arising from the accelerated development of both tangible and intangible social infrastructure as part of preparations for large-scale events. On the other hand, increasingly severe labor shortages and decreases in earnings among financial institutions resulting from Japan's negative interest rate policy are forecast to harshen the operating environment surrounding the security services market during the fiscal year ending

March 31, 2020. 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. At the same time, we will strive to provide new products and services that utilize cutting-edge technologies, endeavor to bolster productivity, and achieve sustainable growth for the Group.

Consequently, the ALSOK Group forecasts net sales of ¥465,000 million for the fiscal year ending March 31, 2020, up 4.8% year on year. We expect operating income to grow 7.2%, to ¥34,600 million, ordinary income to rise 7.7%, to ¥36,500 million, and profit attributable to owners of parent to expand 3.3%, to ¥23,000 million.

## Financial Position

### Assets

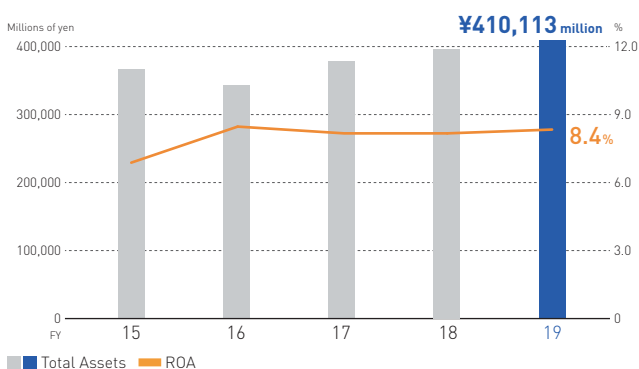
Total assets at the end of the year under review increased ¥13,477 million, or 3.4%, from the previous fiscal year-end, to ¥410,113 million. Total current assets rose ¥13,513 million, or 6.9%, to ¥208,047 million, while total noncurrent assets decreased only slightly by ¥35 million, or 0.0%, to ¥202,066 million.

The increase in current assets was primarily caused by increases of ¥6,302 million in cash and deposits, ¥3,831 million in cash for Transportation Security Services, and ¥2,640 million in notes and accounts receivable—trade.

The decrease in noncurrent assets occurred despite a ¥937 million increase in net defined benefit assets that was due to a rise in valuation of assets under management and a ¥2,952 million expansion in other intangible assets, including software in progress, which grew as a result of investment in a backbone system slated for completion in an upcoming fiscal year. These positive factors were offset by a

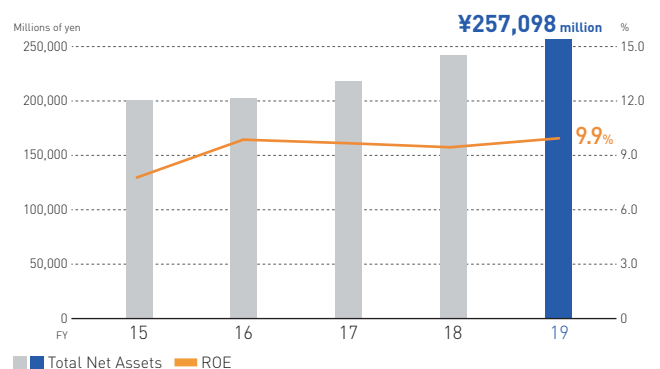
### Total Assets/ROA

Fiscal years ended March 31



### Total Net Assets/ROE

Fiscal years ended March 31



¥2,029 million drop in machinery, equipment and vehicles and a ¥2,019 million slide in long-term deposits and other items included in the "other" category underneath investments and other assets.

#### Liabilities

Total liabilities at the end of the year under review decreased ¥2,238 million, or 1.4%, from the previous fiscal year-end, to ¥153,015 million. Total current liabilities rose ¥10 million, or 0.0%, to ¥92,505 million, and total noncurrent liabilities fell ¥2,248 million, or 3.6%, to ¥60,509 million.

The rise in current liabilities occurred due to increases of ¥1,973 million in accounts payable—other and ¥709 million in accrued consumption taxes, despite a ¥2,114 million drop in short-term loans payable.

Noncurrent liabilities decreased due to a ¥2,240 million decline in long-term loans payable.

#### Net Assets

Total net assets as of March 31, 2019, were up ¥15,716 million, or 6.5%, from the previous fiscal year-end, to ¥257,098 million.

#### Cash and Cash Equivalents

The balance of cash and cash equivalents (hereafter referred to as "cash") at March 31, 2019, was ¥43,435 million, up 7.3% year on year.

#### Cash flows from operating activities

During the year under review, net cash provided by operating activities amounted to ¥28,771 million, 12.8% more than in the preceding fiscal year. Principal sources of cash were ¥34,474 million in income before income taxes (up 8.3% year on year) and ¥15,077 million in depreciation and amortization (up 6.7%). Major uses of cash were ¥11,237 million in income taxes paid (down 3.1%), a ¥7,730 increase in assets and liabilities for Transportation Security Services (down 43.3%), and a ¥2,075 million increase in notes and accounts receivable—trade (down 4.6%).

Decrease (increase) in assets and liabilities for Transportation Security Services includes the increases and decreases in cash for Transportation Security Services and funds procured for Transportation Security Services that are included in short-term loans payable.

#### Cash flows from investing activities

Net cash used in investing activities totaled ¥14,911 million, down 22.0% from the preceding fiscal year. Major uses of cash were ¥11,360 million for the purchase of property, plant and equipment (down 3.5%), ¥2,538 million for the purchase of intangible assets (down 6.6%), and ¥1,740 million for the purchase of shares of subsidiaries resulting in change in scope of consolidation (down 70.9%).

#### Cash flows from financing activities

Net cash used in financing activities was ¥10,934 million (down 18.6% year on year). Major uses of cash were ¥6,176 in cash dividends paid (up 6.9%) and ¥3,856 million in repayments of lease obligations (down 12.8%).

#### 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, 2019, 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 ¥66.00 per share, including an interim dividend of ¥31.00 per share, for a consolidated payout ratio of 30.0%.

#### 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 25, 2019, the date on which the 54th Securities Report was filed.

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

Sales from the financial institutions sector accounted for approximately 20% of the Group's total sales in the fiscal year ended March 31, 2019. Consequently, trends in the economic environment surrounding financial institutions, including significant price cuts and 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. However, the Group will continue to contribute to building platforms that support financial infrastructure while aggressively advancing sales promotion toward other business sectors in order to find new clients.

##### 2. Electronic Security Services Business

Of the Group's total sales, approximately 40% are dependent on the Electronic Security Services business. Should our responses to technological progress such as AI, 5G, and IoT and the accompanying changes in business model fall behind the changes, the Group's operating performance could be negatively affected. For this reason,

the Group is working on the advancement of security models that actively use cutting-edge technologies by developing next-generation security services using image analysis technology and urban space security with 5G.

### 3. Transportation Security Services

Should the need for cash transportation decline as the cashless trend progresses in Japan, the Group's operating performance could be negatively affected. Even in such a situation, the Group is actively developing products in line with the progress of a cashless society while expanding the scope of Transportation Security Services for valuables and others. 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, though the Group endeavors on the efficient operations of the fund, should there be an increase in interest rates associated with cash procured for these purposes, the Group must renegotiate the pricing conditions defined in contracts between the Group and its clients.

### 4. Dependency on a Specific Equipment Supplier

The Group mostly depends on some 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 new products and services utilizing AI, IoT, robots, and ICT technology are indispensable to the Group's adequate provision of security services, since we need to deal with "brutal and sophisticated crimes such as terrorism and cyberattack," "the rapidly aging population and declining population," "heinous crimes and special-case scams preying on senior citizens, stalking crimes, and crimes preying on children and women," "natural disasters that wreak great damage such as earthquakes, and typhoons," and "aging of social infrastructure." Should our adaptation 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 technologies such as AI, IoT, and 5G with the aim of digital transformation. 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, have managed client information properly through employee education related to regulations such as the Personal Information Protection Act and careful observation of subcontractors. These measures enable us to avoid leaking, losing, or damaging personal information.

### 7. Ensuring Human Resources

In a situation where the Group operates labor-intensive businesses such as security services and long-term care and the working-age population continues to decline in Japan, if the Group should fail to secure high-quality human resources and therefore be unable to staff appropriately, its operating performance could be negatively affected. In order to respond to these risks, the Group is striving to secure human resources by promoting work-style reforms and improving labor productivity while improving staff compensation and strengthening the recruitment system. In addition, we implement flexible personnel management, such as promoting personnel exchanges throughout the Group for the purpose of revitalizing the organization and developing employee skills, expanding job assignments of female employees, and reinforcing multitasking. Furthermore, we are striving to secure a high-quality workforce by adopting a system in which retired employees with abundant work experience can work in the Group for a long time after their retirement.

### 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.

Major Operation	Relevant Laws	Competent Authorities, etc.
Electronic Security Services Stationed Security Services Transportation Security Services	Security Business Law	National Public Safety Commission
	Road Traffic Law	
	Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors	Japan Fair Trade Commission/ Small and Medium Enterprise Agency
	Telecommunications Business Law	Ministry of Internal Affairs and Communications
	Radio Law	
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
	Act for Promoting Proper Tendering and Contracting for Public Works	Ministry of Land, Infrastructure, Transport and Tourism
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 Other Services	Truck Transport Business Law	Ministry of Land, Infrastructure, Transport and Tourism
	Freight Forwarding Business Law	
	Road Trucking Vehicle Law	
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	Ministry of Health, Labour and Welfare
	Act on Maintenance of Sanitation in Building	
	Waste Disposal Act	Ministry of the Environment
	Building Lots and Buildings Transaction Business Law	Ministry of Land, Infrastructure, Transport and Tourism
	Architect Act	
	Act on Advancement of Proper Condominium Management	
	Electricity Business Act	Ministry of Economy, Trade and Industry
Act on the Securing of Safety and the Optimization of Transaction of Liquefied Petroleum Gas		
Long-Term Care Services	Long-term Care Insurance Act	Ministry of Health, Labour and Welfare/ Each prefecture/Each municipality
	Act on Social Welfare for the Elderly	
	The Act on Massage and Finger Pressure Practitioners, Acupuncturists, Moxibustion Practitioners, etc.	
Other Services	Correspondence Delivery Act	Ministry of Internal Affairs and Communications
	Worker Dispatching Act	Ministry of Health, Labour and Welfare
	Employment Security Act	
	Insurance Business Law	Financial Services Agency
	Financial Instruments and Exchange Act	
	Act on Prevention of Transfer of Criminal Proceeds	National Public Safety Commission
	Law About the Adequacy of Duties of the Detective Business	
	Personal Information Protection Law	Personal Information Protection 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
	Act against Unjustifiable Premiums and Misleading Representations	Consumer Affairs Agency
Antique Dealings Act	National Police Agency	

#### 9. Risk Related to 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, and 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 business continuity plan 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. The Group has located two data centers each in East Japan and West Japan in terms of business continuity, and has made backup system by mutual monitoring as well as building backup environment of important systems. For the preparation in the occurrence of large-scale disaster, by taking measures in a phased manner, the Group works for further risk aversion.



## Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

	Millions of yen	
Fiscal years ended March 31	2018	2019
Net sales	435,982	443,535
Cost of sales	330,493	334,197
Gross profit	105,489	109,338
Selling, general and administrative expenses	75,378	77,057
Operating income	30,111	32,280
Non-operating income		
Interest income	176	180
Dividends income	613	656
Gain on sales of investment securities	86	29
Rent income	311	307
Gain from insurance claim	87	124
Share of profit of entities accounted for using equity method	1,292	1,263
Penalty income	300	316
Other	942	1,194
Total non-operating income	3,810	4,071
Non-operating expenses		
Interest expenses	987	1,588
Loss on sales of investment securities	1	9
Loss on retirement of noncurrent assets	198	254
Financing expenses	295	298
Other	525	318
Total non-operating expenses	2,008	2,470
Ordinary income	31,913	33,881
Extraordinary income		
Gain on sales of investment securities	1	17
Gain on sales of shares of subsidiaries	—	1
Gain on sales of noncurrent assets	—	829
Gain on bargain purchase	—	9
Reversal of provision for loss on dissolution of the employees' pension fund	—	79
Total extraordinary income	1	937
Extraordinary loss		
Loss on valuation of investment securities	1	287
Impairment loss	73	1
Loss on sales of noncurrent assets	—	55
Total extraordinary loss	74	345
Income before income taxes	31,841	34,474
Income taxes—current	11,366	10,953
Income taxes—deferred	(473)	(144)
Total income taxes	10,893	10,808
Net income	20,948	23,665
Profit attributable to non-controlling interests	1,603	1,395
Profit attributable to owners of parent	19,344	22,269

### Consolidated Statements of Comprehensive Income

	Millions of yen	
Fiscal years ended March 31	2018	2019
Net income	20,948	23,665
Other comprehensive income		
Valuation difference on available-for-sale securities	56	(1,119)
Foreign currency translation adjustment	(61)	(72)
Remeasurements of defined benefit plans, net of tax	4,462	(146)
Share of other comprehensive income (loss) of associates accounted for using equity method	108	20
Total other comprehensive income (loss)	4,566	(1,318)
Comprehensive income	25,514	22,346
(Contents)		
Comprehensive income attributable to owners of parent	23,761	21,021
Comprehensive income attributable to non-controlling interests	1,752	1,324

## Consolidated Balance Sheets

As of March 31	Millions of yen	
	2018	2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	47,573	53,875
Cash for Transportation Security Services	68,715	72,546
Notes and accounts receivable—trade	52,286	54,926
Lease receivables and investment assets	4,535	4,798
Short-term investment securities	338	361
Raw materials and supplies	5,708	5,488
Costs on uncompleted construction contracts	456	371
Advances paid	6,526	5,986
Other	8,620	9,939
Allowance for doubtful accounts	(226)	(247)
<b>Total current assets</b>	<b>194,533</b>	<b>208,047</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	48,096	48,385
Accumulated depreciation	(26,191)	(25,840)
Buildings and structures, net	21,905	22,545
Machinery, equipment and vehicles	136,429	138,517
Accumulated depreciation	(114,244)	(118,361)
Machinery, equipment and vehicles, net	22,185	20,155
Land	22,740	22,301
Lease assets	33,291	31,723
Accumulated depreciation	(14,475)	(13,747)
Lease assets, net	18,815	17,976
Construction in progress	662	1,243
Other	17,049	18,190
Accumulated depreciation	(12,111)	(12,970)
Other, net	4,937	5,220
<b>Total property, plant and equipment</b>	<b>91,246</b>	<b>89,442</b>
<b>Intangible assets</b>		
Software	3,207	3,158
Goodwill	21,108	20,952
Other	5,996	8,948
<b>Total intangible assets</b>	<b>30,313</b>	<b>33,059</b>
<b>Investments and other assets</b>		
Investment securities	42,597	41,649
Long-term loans receivable	337	302
Lease and guarantee deposits	8,447	8,832
Insurance funds	1,679	1,647
Net defined benefit asset	4,250	5,187
Deferred tax assets	10,695	11,491
Other	12,913	10,894
Allowance for doubtful accounts	(380)	(441)
<b>Total investments and other assets</b>	<b>80,542</b>	<b>79,564</b>
<b>Total noncurrent assets</b>	<b>202,102</b>	<b>202,066</b>
<b>Total assets</b>	<b>396,635</b>	<b>410,113</b>

As of March 31	2018	2019
Millions of yen		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable—trade	23,420	22,993
Short-term loans payable	14,435	12,320
Current portion of long-term loans payable	3,176	2,948
Current portion of bonds	24	14
Accounts payable—other	22,762	24,735
Lease obligations	4,511	4,587
Income taxes payable	5,769	5,355
Accrued consumption taxes	3,762	4,471
Provision for bonuses	2,189	2,124
Provision for directors' bonuses	118	102
Other	12,324	12,851
<b>Total current liabilities</b>	<b>92,495</b>	<b>92,505</b>
<b>Noncurrent liabilities</b>		
Bonds payable	23	9
Long-term loans payable	8,493	6,253
Lease obligations	21,993	21,279
Deferred tax liabilities	280	312
Deferred tax liabilities for land revaluation	314	314
Net defined benefit liability	27,327	27,619
Provision for directors' retirement benefits	1,806	1,881
Asset retirement obligations	101	454
Other	2,417	2,384
<b>Total noncurrent liabilities</b>	<b>62,758</b>	<b>60,509</b>
<b>Total liabilities</b>	<b>155,253</b>	<b>153,015</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>		
Capital stock	18,675	18,675
Capital surplus	34,243	34,243
Retained earnings	171,161	186,248
Treasury stock	(1,069)	(1,069)
<b>Total shareholders' equity</b>	<b>223,010</b>	<b>238,097</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	7,358	6,315
Revaluation reserve for land	(5,286)	(4,281)
Foreign currency translation adjustment	4	(72)
Remeasurements of defined benefit plans	(6,850)	(6,978)
<b>Total valuation and translation adjustments</b>	<b>(4,773)</b>	<b>(5,015)</b>
<b>Non-controlling interests</b>	<b>23,144</b>	<b>24,016</b>
<b>Total net assets</b>	<b>241,382</b>	<b>257,098</b>
<b>Total liabilities and net assets</b>	<b>396,635</b>	<b>410,113</b>

## Consolidated Statements of Changes in Net Assets

	Millions of yen						
	Shareholders' equity					Treasury stock	Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings				
<b>Balance as of April 1, 2017</b>	18,675	31,485	157,596		(2,019)		205,737
<b>Changes of items during the period</b>							
Dividends from surplus			(5,780)				(5,780)
Profit attributable to owners of parent			19,344				19,344
Purchase of treasury stock					(1)		(1)
Disposal of treasury stock		3,422			952		4,374
Reversal of revaluation reserve for land							—
Purchase of shares of consolidated subsidiaries		(668)					(668)
Capital increase of consolidated subsidiaries		4					4
Net changes of items other than shareholders' equity							
<b>Total changes of items during the period</b>	—	2,758	13,564		950		17,273
<b>Balance as of March 31, 2018</b>	18,675	34,243	171,161		(1,069)		223,010
	Accumulated other comprehensive income						
	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	Non-controlling interests	Total net assets
<b>Balance as of April 1, 2017</b>	7,306	(5,286)	69	(11,204)	(9,114)	25,607	222,230
<b>Changes of items during the period</b>							
Dividends from surplus							(5,780)
Profit attributable to owners of parent							19,344
Purchase of treasury stock							(1)
Disposal of treasury stock							4,374
Reversal of revaluation reserve for land							—
Purchase of shares of consolidated subsidiaries							(668)
Capital increase of consolidated subsidiaries							4
Net changes of items other than shareholders' equity	51	—	(64)	4,354	4,341	(2,462)	1,878
<b>Total changes of items during the period</b>	51	—	(64)	4,354	4,341	(2,462)	19,151
<b>Balance as of March 31, 2018</b>	7,358	(5,286)	4	(6,850)	(4,773)	23,144	241,382
	Millions of yen						
	Shareholders' equity					Treasury stock	Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings				
<b>Balance as of April 1, 2018</b>	18,675	34,243	171,161		(1,069)		223,010
<b>Changes of items during the period</b>							
Dividends from surplus			(6,176)				(6,176)
Profit attributable to owners of parent			22,269				22,269
Purchase of treasury stock					(0)		(0)
Disposal of treasury stock					0		0
Reversal of revaluation reserve for land					(1,005)		(1,005)
Purchase of shares of consolidated subsidiaries							—
Capital increase of consolidated subsidiaries							—
Net changes of items other than shareholders' equity							
<b>Total changes of items during the period</b>	—	—	15,087		(0)		15,087
<b>Balance as of March 31, 2019</b>	18,675	34,243	186,248		(1,069)		238,097
	Accumulated other comprehensive income						
	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	Non-controlling interests	Total net assets
<b>Balance as of April 1, 2018</b>	7,358	(5,286)	4	(6,850)	(4,773)	23,144	241,382
<b>Changes of items during the period</b>							
Dividends from surplus							(6,176)
Profit attributable to owners of parent							22,269
Purchase of treasury stock							(0)
Disposal of treasury stock							0
Reversal of revaluation reserve for land							(1,005)
Purchase of shares of consolidated subsidiaries							—
Capital increase of consolidated subsidiaries							—
Net changes of items other than shareholders' equity	(1,042)	1,005	(76)	(128)	(242)	871	628
<b>Total changes of items during the period</b>	(1,042)	1,005	(76)	(128)	(242)	871	15,716
<b>Balance as of March 31, 2019</b>	6,315	(4,281)	(72)	(6,978)	(5,015)	24,016	257,098

## Consolidated Statements of Cash Flows

	Millions of yen	
Fiscal years ended March 31	2018	2019
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	31,841	34,474
Depreciation and amortization	14,133	15,077
Impairment loss	73	1
Amortization of goodwill	1,627	1,791
Increase (decrease) in allowance for doubtful accounts	17	80
Increase (decrease) in net defined benefit liability	(329)	45
Increase (decrease) in provision for bonuses	210	(72)
Increase (decrease) in provision for directors' bonuses	17	(15)
Interest and dividends income	(790)	(836)
Interest expenses	987	1,588
Share of loss (profit) of entities accounted for using equity method	(1,292)	(1,263)
Loss (gain) on sales of noncurrent assets	9	(772)
Loss (gain) on retirement of noncurrent assets	198	254
Loss (gain) on sales of investment securities	(87)	(37)
Loss (gain) on valuation of investment securities	1	286
Loss (gain) on valuation of derivatives	20	6
Decrease (increase) in notes and accounts receivable—trade	(2,175)	(2,075)
Decrease (increase) in inventories	(323)	309
Increase (decrease) in notes and accounts payable—trade	5,033	(419)
Decrease (increase) in net defined benefit asset	438	(876)
Decrease (increase) in assets and liabilities for Transportation Security Services	(13,630)	(7,730)
Other	1,014	561
Subtotal	36,996	40,377
Interest and dividends income received	1,056	1,114
Interest expenses paid	(989)	(1,579)
Income taxes paid	(11,591)	(11,237)
Income taxes refunded	23	96
Net cash provided by (used in) operating activities	25,496	28,771
<b>Net cash provided by (used in) investing activities</b>		
Decrease (increase) in time deposits	947	(1,350)
Purchase of property, plant and equipment	(11,776)	(11,360)
Proceeds from sales of property, plant and equipment	22	1,624
Purchase of intangible assets	(2,718)	(2,538)
Purchase of investment securities	(1,987)	(1,048)
Proceeds from sales of investment securities	1,544	1,143
Payments for transfer of business	(43)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,973)	(1,740)
Purchase of shares of subsidiaries and associates	(108)	—
Decrease (increase) in short-term loans receivable	25	(3)
Payments of long-term loans receivable	(45)	(58)
Collection of long-term loans receivable	76	105
Other	911	314
Net cash provided by (used in) investing activities	(19,125)	(14,911)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	196	2,234
Proceeds from long-term loans payable	586	660
Repayment of long-term loans payable	(3,456)	(3,317)
Redemption of bonds	(54)	(24)
Purchase of treasury stock	(1)	(0)
Repayments of lease obligations	(4,420)	(3,856)
Cash dividends paid	(5,780)	(6,176)
Cash dividends paid attributable to non-controlling interests	(500)	(453)
Net cash provided by (used in) financing activities	(13,429)	(10,934)
Effect of exchange rate change on cash and cash equivalents	(7)	(6)
Net increase (decrease) in cash and cash equivalents	(7,064)	2,918
Cash and cash equivalents at beginning of period	47,549	40,484
Increase (decrease) in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	32
Cash and cash equivalents at end of period	40,484	43,435

## Breakdown of Sales/Number of Contracts

### Net Sales by Service Type

Fiscal years ended March 31	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Billions of yen										
<b>Security Services</b>										
Electronic Security Services	138.9	138.4	142.9	147.1	151.8	160.4	167.1	170.5	174.0	175.5
Stationed Security Services	70.6	71.3	71.3	73.8	77.2	88.4	93.9	100.4	110.0	111.9
Transportation Security Services	46.8	47.6	49.8	50.8	51.0	52.3	54.6	56.1	60.2	62.2
General Property Management and Fire Protection Services <sup>1</sup>	—	17.0	36.6	40.6	44.8	58.3	54.9	57.8	61.9	62.9
Long-Term Care Services <sup>2</sup>	—	—	—	—	—	—	7.5	24.9	25.7	26.5
Other Services	22.1	4.7	4.0	3.0	3.2	6.2	3.5	3.4	3.9	4.2
<b>Total</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>	<b>413.3</b>	<b>435.9</b>	<b>443.5</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."

2. Long-Term Care Services was converted to a reportable segment in the fiscal year ended March 31, 2017, and accordingly net sales amounts for this segment are displayed separately from the fiscal year ended March 31, 2016, and onward. Net sales amounts for fiscal years ended March 31, 2015, and prior are included under "Other Services."

### Net Sales by Client Type

Fiscal years ended March 31	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Billions of yen										
<b>Business corporations</b>	<b>163.1</b>	<b>160.9</b>	<b>178.4</b>	<b>186.5</b>	<b>196.7</b>	<b>224.9</b>	<b>234.3</b>	<b>244.9</b>	<b>263.6</b>	<b>271.2</b>
<b>Financial institutions</b>	<b>85.7</b>	<b>88.3</b>	<b>90.7</b>	<b>89.8</b>	<b>90.5</b>	<b>91.3</b>	<b>92.3</b>	<b>91.7</b>	<b>92.0</b>	<b>91.4</b>
<b>Public institutions</b>	<b>19.5</b>	<b>19.3</b>	<b>20.5</b>	<b>22.0</b>	<b>22.8</b>	<b>26.4</b>	<b>26.2</b>	<b>29.7</b>	<b>31.5</b>	<b>31.2</b>
<b>Individuals<sup>3</sup></b>	<b>10.1</b>	<b>10.6</b>	<b>14.9</b>	<b>17.1</b>	<b>18.0</b>	<b>22.9</b>	<b>28.9</b>	<b>46.8</b>	<b>49.0</b>	<b>49.7</b>
<b>Total</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>	<b>413.3</b>	<b>435.9</b>	<b>443.5</b>

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

Fiscal years ended March 31	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contracts										
<b>Security Services</b>										
Electronic Security Services	524,708	541,654	580,263	630,977	677,672	803,601	854,083	888,955	922,928	949,858
Corporate Clients	388,853	396,580	406,261	422,676	440,028	463,053	478,925	493,035	508,374	520,942
Individual Users	135,855	145,074	174,002	208,301	237,644	340,548	375,158	395,920	414,554	428,916 <sup>6</sup>
Stationed Security Services	2,785	2,866	2,934	3,020	3,227	3,597	3,871	4,213	4,357	4,485
Transportation Security Services	35,963	39,065	48,284	51,698	55,420	59,134	62,146	65,755	72,454	75,652
General Property Management and Fire Protection Services <sup>4</sup>	—	44,212	47,913	54,903	63,004	73,898	81,908	89,670	98,044	104,254
Long-Term Care Services <sup>5</sup>	—	—	—	—	—	—	12,804	22,628	21,234	25,364
Other Services	42,909	8,307	8,957	11,989	13,725	22,477	18,217	22,285	25,263	25,896
<b>Total</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>1,033,029</b>	<b>1,093,506</b>	<b>1,144,280</b>	<b>1,185,509</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. Long-Term Care Services was converted to a reportable segment in the fiscal year ended March 31, 2017, and accordingly the number of contracts for this segment is displayed separately from the fiscal year ended March 31, 2016, and onward. The number of contracts for fiscal years ended March 31, 2015, and prior is included under "Other Services."

6. If contracts for individual households in housing complexes are included, this figure would be approximately 1,170,000.

# Corporate Information/Stock Information (As of March 31, 2019)

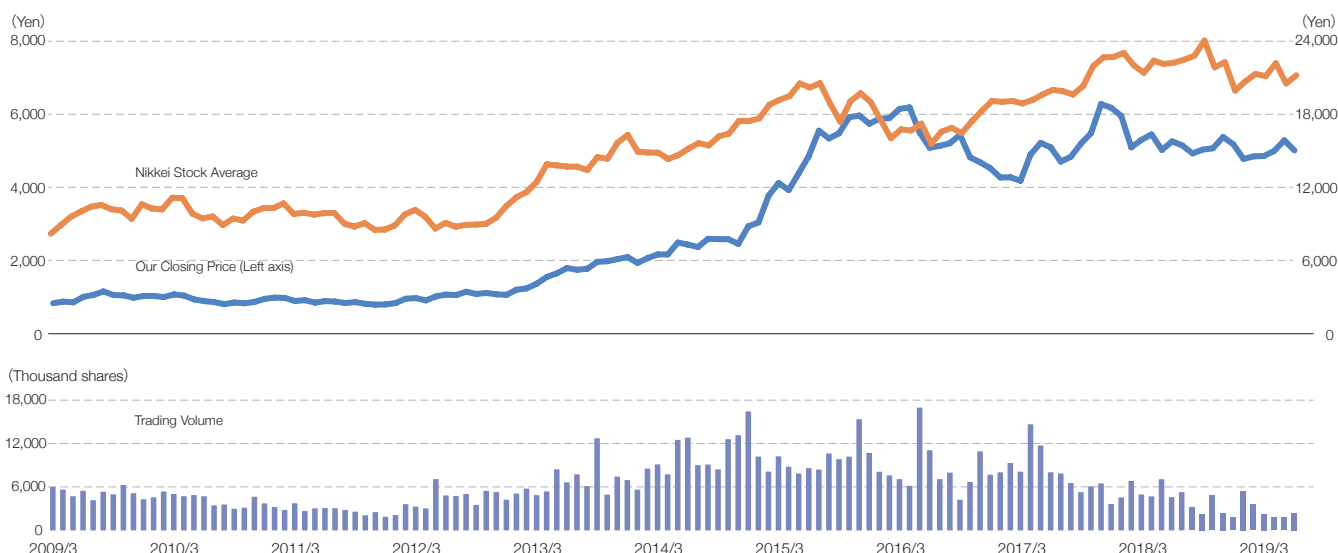
## Corporate Information

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) 37,417  
 (Non-consolidated) 11,793  
 Business Operations Head Office/64 Branches/37 Offices/253 Sales  
 Offices/75 Consolidated Subsidiaries (Including  
 10 Overseas Subsidiaries)/11 Companies  
 Accounted for by the Equity Method

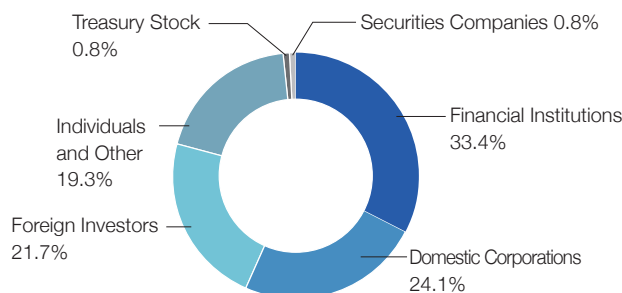
## Stock Information

Total Number of Shares Authorized 300,000,000  
 Number of Shares Issued 102,040,042  
 (including 781,701 shares of treasury stock)  
 Number of Shareholders at the End of the Preceding Fiscal Period 13,876  
 Stock Listing First Section of Tokyo Stock Exchange  
 Securities Code 2331  
 Minimum Trading Lot 100

## Stock Chart



## Distribution of Shares by Shareholder Type



## Major Shareholders (Top 10)

Name	Number of Shares Held (Thousand shares)	Controlling Share (%)
SOHGO CORPORATION	7,388	7.29
Saitama Machinery Co., Ltd.	5,283	5.21
Japan Master Trust Bank, Ltd. (Trust account)	4,442	4.38
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	4.20
Kamakura Corporation	4,150	4.09
Employees Shareholding Association	4,138	4.08
Japan Trustee Services Bank, Ltd. (Trust account)	3,542	3.49
STATE STREET BANK AND TRUST COMPANY 505223	3,110	3.07
Kizuna Corporation	2,950	2.91
Atsushi Murai	2,885	2.84

\* Each controlling share is calculated based on the total number of shares excluding the number of treasury stock (781,701 shares).

### ALSOK is 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 who 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-Japan team.



Tokyo 2020 Official Partner (Security Services & Planning)



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