

***G*rand *D*esign 2020**

Medium-term Management Plan (FY2019-FY2021)

May 8, 2018

SOHGO SECURITY SERVICES CO., LTD

(Securities Code : 2331)

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(Medium-term Management Plan : FY2016-FY2018)
- 2** Management Environment and correspondence of ALSOK Group
- 3** GD2020 (Medium-term Management Plan : FY2019-FY2021)
 - Long-term development and the position of GD2020
 - Basic Policies of GD2020
 - Financial Goal
 - Investment Policy
- 4** Approach towards sustainable improvement of corporate value

1 Summary of GD2017 (Medium-term Management Plan : FY2016-FY2018)

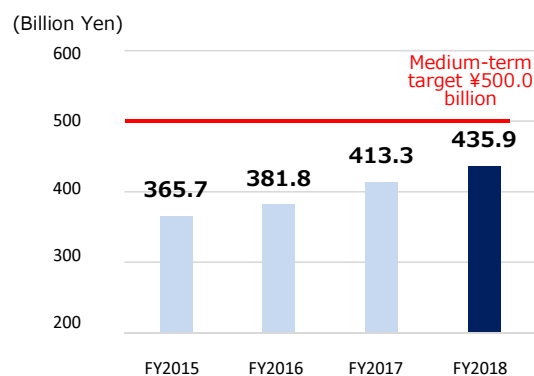


1. Summary of GD2017

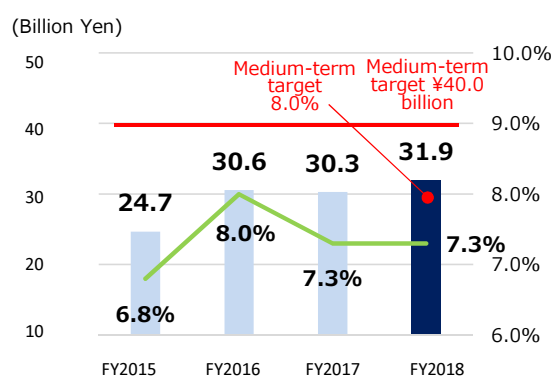
Achievement status of financial goal

	Target (Announced May 2015)	Result (As of FY2018)	Increase and decrease from FY2015	Gap between the target and result
Net Sales	Approx. ¥500.0 billion	¥435.9 billion	+¥70.2 billion	(¥64.1 billion)
Ordinary Income	Approx. ¥40.0 billion	¥31.9 billion	+¥7.2 billion	(¥8.1 billion)
Ordinary Income Ratio	Approx. 8.0%	7.3%	+0.5pt	(0.7pt)
ROE	Approx. 10.0%	9.3%	+1.5pt	(0.7pt)

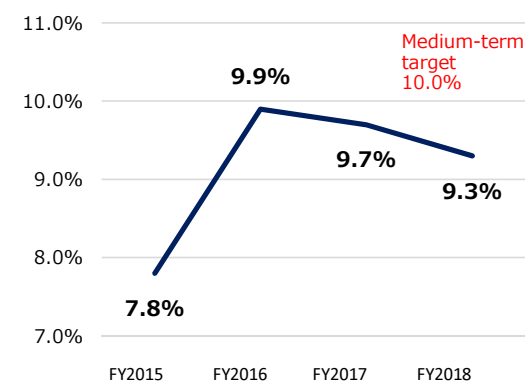
Net Sales



Ordinary Income-Ordinary Income Ratio



ROE

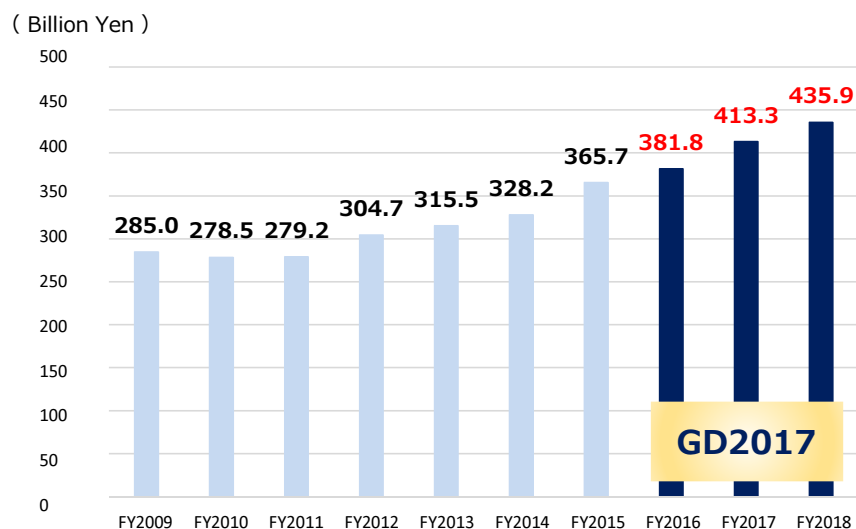


1. Summary of GD2017

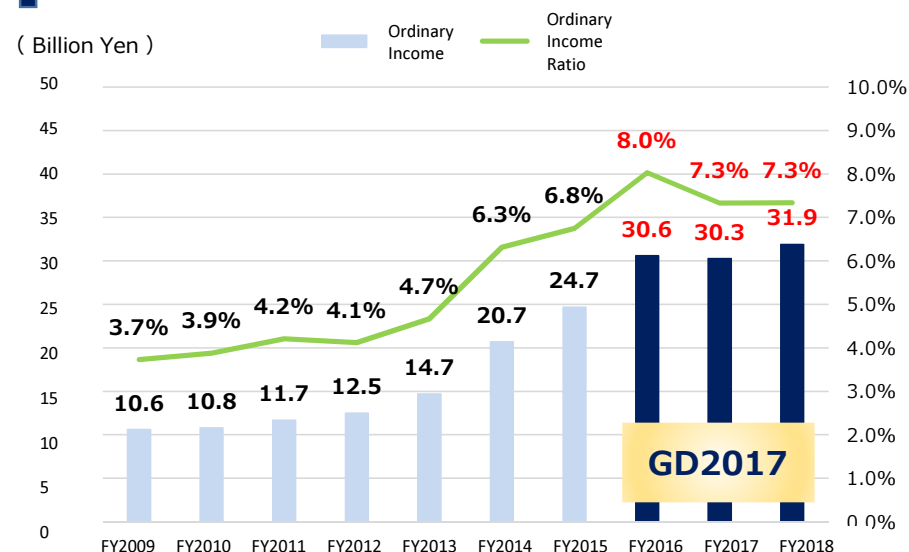
Financial Results (Since FY2009)

■ Though the target for GD2017 was unachieved, **the result is on smooth growth path**

Net Sales



Ordinary Income·Ordinary Income Ratio



[Environment change during GD2017 period]

Escalation of labor scarcity

*Active opening rate

All job category 1.16 times → 1.59 times
 Security category 4.76 times → 7.37 times
 (March 2015) (March 2018)

Negative interest rate policy introduced

*Starting from February 2016

10 year government bond yield
 0.378% → 0.043%
 (2015.4.1) (2018.3.30)

2 Management Environment and correspondence of ALSOK Group



Environmental changes

Diversification of Risks

- Geopolitical risks
- Threat of terrorism
- Climate change (abnormal climate, natural disaster)

Structural issues of Japanese society

- Low birthrate and longevity, population decline
- Work style reform, human resource development revolution
- Crowd into metropolitan area, depopulation rural areas
- Dilapidation of infrastructure and facilities
- Earthquake disaster reconstruction

Technical innovation etc.

- AI, Iot, Big data, Robots
- Progress of Fintech
- Productivity Revolution (Society5.0)

Changes of Management Environment

Continuous expansion of safe and secure needs

Increase in inbound tourism

Expansion of overseas security market

Expansion of elderly market

Aggravation of labor scarcity and difficulty in recruit

Expansion of outsource needs

Corresponding to national land resilience and dilapidated facilities

Frontier expansion in security market by new technology

Business model change in financial institutions

Approach towards regional revitalization

Overcome constrained factors of business expansion and take advantage of the business chance

Application of new technology

AI

IoT

5G

Robots

High-definition camera
(4K, 8K etc.)

etc.

Improvement of productivity

Multitasking of employees
(Multifunction of employees)

Business efficiency

Improvement in ability and quality
(fulfillment of education and training)

etc.

Contributing to success

Rugby World Cup

Pre-Olympics of Tokyo 2020

Tokyo 2020 Olympic and Paralympic Games

etc.

Corresponding to diversifying social safe and secure needs, and achieve sustainable growth of the Group

3 **GD2020**
(Medium-term Management Plan : FY2019-FY2021)



3. GD2020 (Medium-term Management Plan : FY2019-FY2021)

Long-term development and the position of GD2020

Based on the philosophy of ALSOK charter, we aim to be total safe and secure service industry which supports safety and security of customers and society

Getting a look at achieving consolidated net sales of ¥1 trillion, far-seeing post 2020, We formulated GD2020 as a 3year plan to achieve sustainable growth and further revolution of business



ALSOK Charter (Management Philosophy)

Based on 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.

3. GD2020 (Medium-term Management Plan : FY2019-FY2021)



Basic Policies of GD2020

Grand Design 2020 Basic Policies

- I Enhancement of existing business to correspond to diversifying needs of customers
- II Sophistication of security model and improvement in productivity
- III Business expansion in elderly market
- IV Stable securement and active promotion of human resources
- V Correspondence to Tokyo 2020 Olympic and Paralympic Games

Marketing Strategy		Enhancement of Management Base	
Business Corporation	<ul style="list-style-type: none"> ■ Amplification of solution business including incorporation of outsource needs 	<ul style="list-style-type: none"> ■ Sophistication of security model ■ Productivity improvement (improvement in additional value per person) ■ Stable securement of human resources and promotion of diversity ■ Cultivation of human resources with high expertise 	<h3>Correspondence to TOKYO2020 Olympic and Paralympic Games</h3> <ul style="list-style-type: none"> ■ ALSOK will play a role in the security of the Game and contributing to the success of the Game
Public Sector	<ul style="list-style-type: none"> ■ Further expansion of "security + equipment" model (Security and equipment service package) 		
Financial Institutions			
Individuals	<ul style="list-style-type: none"> ■ Providing seamless products and services concerning individuals and facilities ■ Business expansion in elderly market 		
Overseas	<ul style="list-style-type: none"> ■ Accelerate expansion in overseas business 		

| Basic Policies of GD2020

I Enhancement of existing business to correspond to diversifying needs of customers



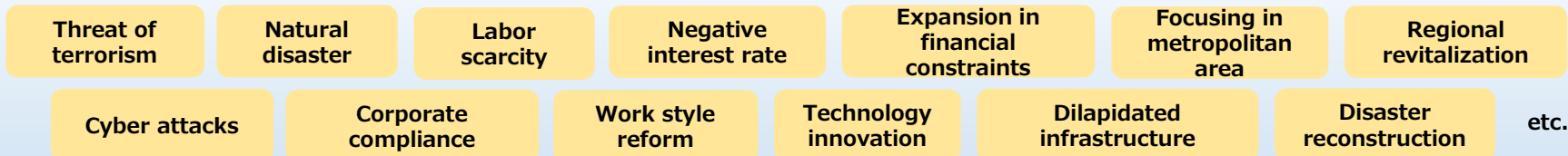
3. GD2020 (Medium-term Management Plan : FY2019-FY2021)



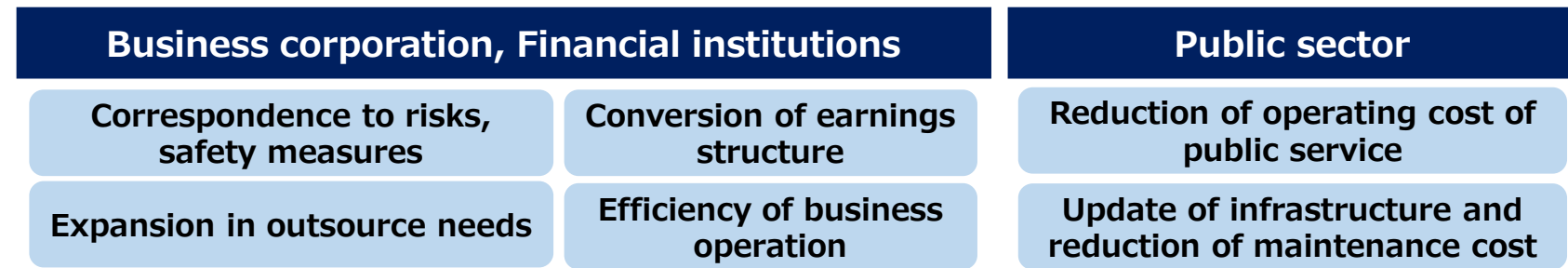
I Enhancement of existing business to correspond to diversifying needs of customers

■ **Corresponding to diversifying customer needs**

Inside and outside environment



Changes in market environment



Amplification of Solution business

- Providing solutions to various sophisticated needs

Further expansion of "security + equipment" model (Security and equipment service package)

- Providing comprehensive service seeking optimized premises and equipment

3. GD2020 (Medium-term Management Plan : FY2019-FY2021)

I Enhancement of existing business to correspond to diversifying needs of customers

■ Providing various products and services concerning safety and security of individuals seamlessly

Individuals and facilities

Safety and security for elderly


Safety and security for women


Safety and security for children


Safety and security for houses


Safety and security indoor

HOME ALSOX
みまもりサポート

- Monitoring
- Emergency alert, health consultation

HOME ALSOX
アイライフ

- Simplified home security

ホームセキュリティBasic

- Home security

HOME ALSOX
アパート・マンションプラン
(入居者契約プラン)

- Security for rented accommodation

Etc.



Safety and security outdoor

みまもりタグ

- Sensor wandering elderly

モバイルみまもりセキュリティ
まもるっく

- Mobile Security

etc



Amplification of providing seamless products and services

3. GD2020 (Medium-term Management Plan : FY2019-FY2021)

I Enhancement of existing business to correspond to diversifying needs of customers

■ Significantly enhance overseas business → Overseas expansion of ALSOK brand



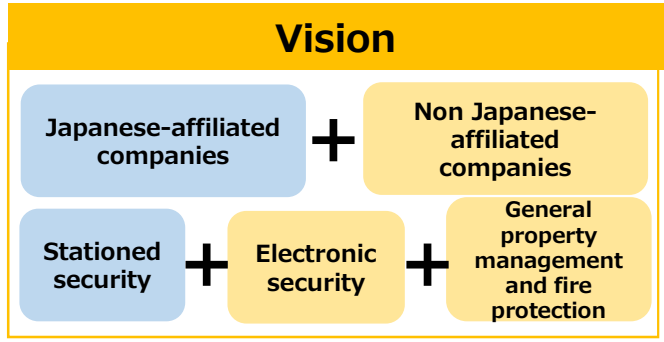
Business expansion
Change in business portfolio of companies incorporated above

Large-scale project
Enhancement of approach towards large-scale projects

Structure enhancement
Enhancement of business structure (investment of management resources)

Current status

- Focused on Japanese-affiliated companies
- Focused on stationed security



As a near-term target, we aim for achieving net sales of approximately ¥10.0 billion

| Basic Policies of GD2020

II Sophistication of security model and productivity improvement



II Sophistication of security model and productivity improvement

■ Promoting changes of business model far-seeing diversifying and sophisticating needs and labor scarcity

Diversifying and sophisticating needs of customers

Realization of services for preventive measure

- Foretaste detection of trouble utilizing AI and realization of natural disaster reduction and fire protection
- Changing from preventing damage to preventive measure

High-functioned robots

- Correspondence outdoor, mounted with 5 senses sensor
- Acts on behalf of humans in scenes such as rescue , fire extinction, searching, derivation

Correspondence of labor scarcity

Correspondence towards sophisticated crimes

- Recognition of suspicious behavior utilizing AI
- Corresponds to crimes such as shoplift, special-case scams, cyber crimes, terrorism etc.

Realization of urban space

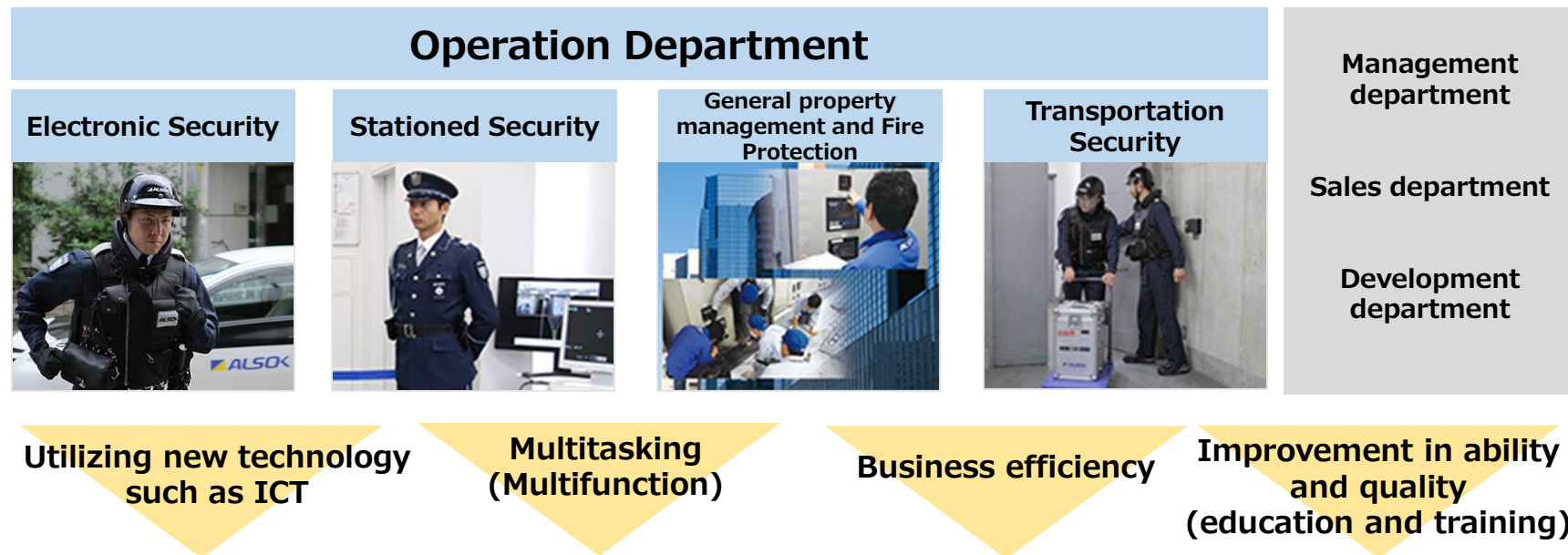
- Monitoring urban space by taking advantage of AI, 5G, and high-definition camera
- Detecting fire disaster, status of vehicle traffic, suspicious drones etc.

Rapid technological innovation

etc. 16

II Sophistication of security model and productivity improvement

■ Improvement in additional value per person, by utilizing new technology such as ICT and multitasking



Improvement in additional value per person by productivity improvement

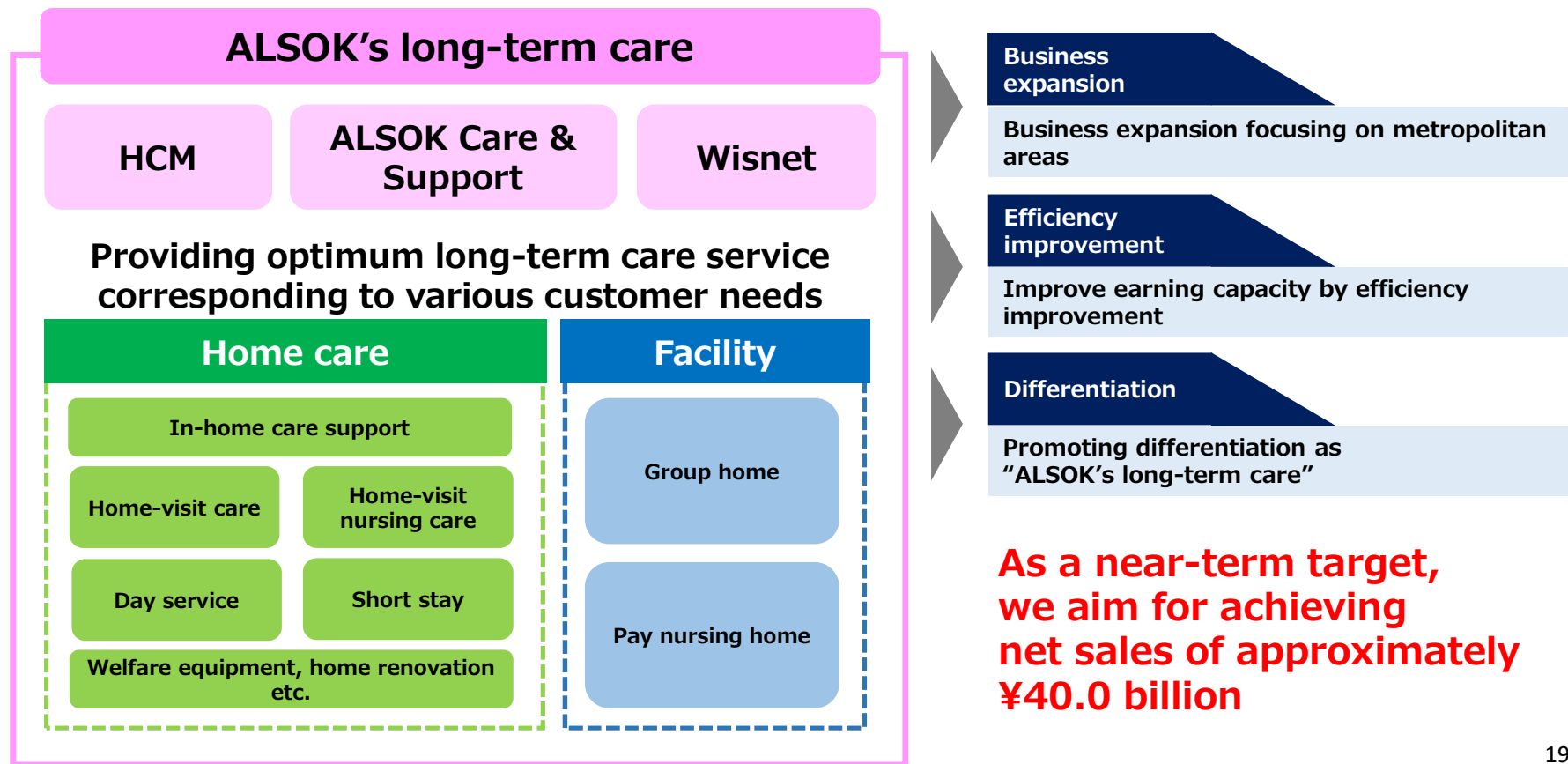
| Basic Policies of GD2020

III Business expansion in elderly market



III Business expansion in elderly market

■ Expanding long-term care business and making it to one large business pillar



III Business expansion in elderly market

■ Further expansion of services for elderly → Reinforce cooperation with security business and long-term care business

Progress of elderly monitoring business

- Expansion in elderly monitoring business
Number of municipal governments in cooperation with emergency alert system : 474 *As of March 31, 2018
- Promoting demonstration experiment to structure local monitoring network by cooperating with 10 municipal governments

Approach towards safety and security for long-term care

- Promoting approach toward safety and security as utmost priority as for the long-term care business which security company operates

Health consultation needs

Outside long-term care insurance needs

Home care needs

Facility care needs



Expansion of services for elderly, corresponding to various needs

| Basic Policies of GD2020

IV Stable securement and active promotion of human resources



IV Stable securement and active promotion of human resources

Promoting stable securement of human resource and diversity

- Reinforce employment
(new graduates, year-round recruitment, career)
- Promote performance of various human resource
(women, seniors)
- Promote work-life balance
(grant planned annual paid holiday)

Work style reform action plan

- Correction of long working hours
5% reduction of overtime working hours
- Acquisition of annual paid holiday
10% improvement in acquisition rate
- Forwarding flexible work style
5% increase in numbers of female employees

*Non-consolidated

Cultivation of human resources with high expertise

- Thorough advanced education utilizing ICT

| Basic Policies of GD2020

V Correspondence to Tokyo 2020 Olympic and Paralympic Games



3. GD2020 (Medium-term Management Plan : FY2019-FY2021)



V Correspondence to Tokyo 2020 Olympic and Paralympic Games

As a co-leader of Joint Venture Group for Tokyo 2020 Games Security, ALSOK will contribute to ensure safe and secure games



Tokyo 2020 Official Partner (Security Services & Planning)

[Tokyo 2020 Games Security JV]

- Date of establishment : April 3,2018
- Organizational structure :
14 security companies (2 co-leaders)

ALSOK is Tokyo 2020 Olympic and Paralympic Games official partner

The founder of ALSOK led the operations of the Tokyo 1964 Olympic Games. Indeed, this connection with the Olympic Games served as the trigger for the founding of ALSOK in 1965, and to the establishment of the company's management philosophy "to devote ourselves to protecting the security and safety of our customers and society as a whole". Over the years, ALSOK have grown steadily with the support of its customers. The upcoming Tokyo 2020 Games is positioned as a gratitude, to play a role as a co-leader of Tokyo 2020 Games Security JV, and to dedicate all one's strength to contribute to deliver safe and secure games.

3. GD2020 (Medium-term Management Plan : FY2019-FY2021)

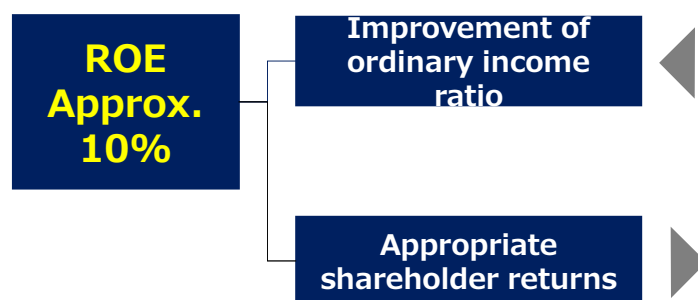


Financial Goal

	Result (As of FY2018)	Target * (As of FY2021)
Net Sales	¥435.9 billion	Approx. ¥500.0 billion
Ordinary Income	¥31.9 billion	Approx. ¥40.0 billion
Ordinary Income Ratio	7.3%	Approx. 8.0%
ROE	9.3%	Approx. 10.0%

*Sales and income concerning Tokyo 2020 Games is not included in the target

Strategy for improvement of ROE



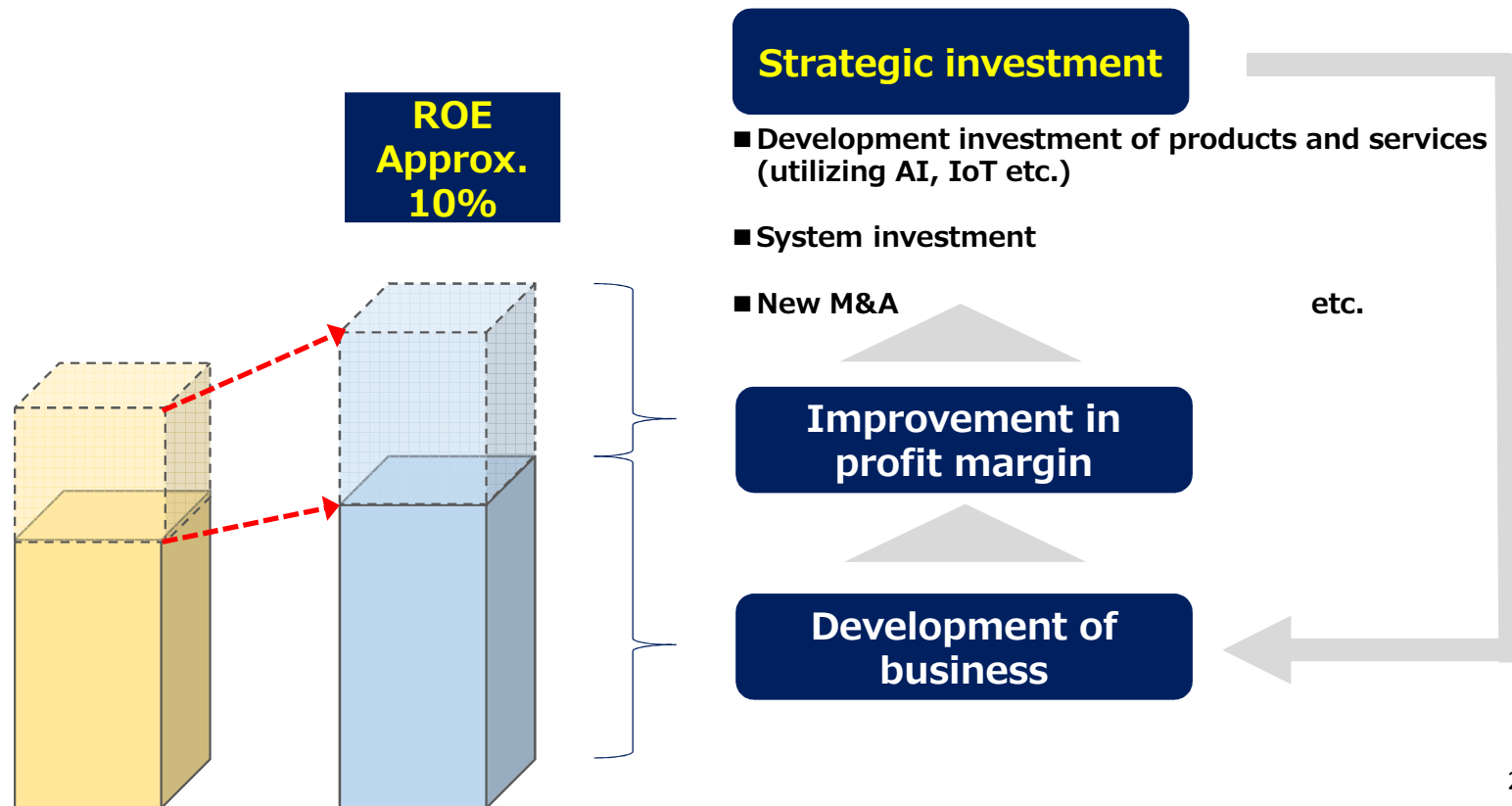
GD2020 Basic Policies

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- Keeping stable dividend aiming 30% dividend payout ratio

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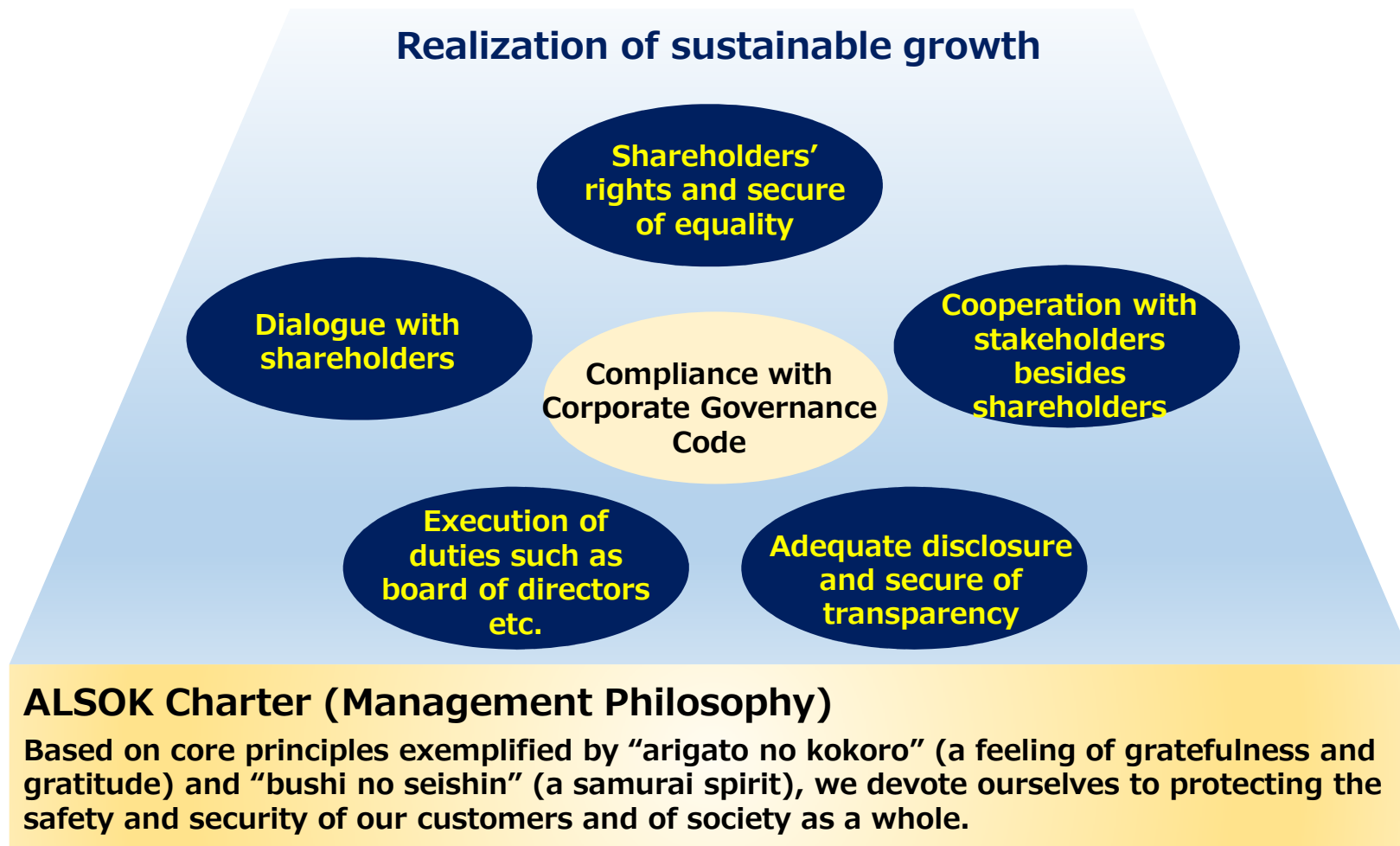
Investment Policy

While maintaining stable financial base, ALSOK seeks improvement of ROE by generating cash from enlarging profit and accelerating development of business by strategic investment



4 Approach towards sustainable improvement of corporate value

Response to Corporate Governance Code



Relationship between 4 material CSR themes and SDGs

As it seeks to continue protecting the safety and security of customers and society, ALSOK will aim to achieve SDGs(Sustainable Development Goals) by resolving social issues through our business, and create value for protecting the future

4 Material CSR themes

Providing products and services that help resolve social issues

Cultivating human resources and building a comfortable workplace environment

Contributing to local communities through active communication

Providing trustworthy security services

Relationship with SDGs



【External Recognition】

 <p>ALSOK has been included in the FTSE4Good Index Series, a socially responsible investment index, for 10 consecutive years.</p>	 <p>ALSOK is included in the FTSE Blossom Japan Index, an ESG investment index.</p>	 <p>2017 Constituent MSCI Japan ESG Select Leaders Index</p> <p>ALSOK is included in the MSCI Japan ESG Select Leaders Index, an ESG investment index</p>
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ALSOK will keep contributing to the ongoing development of society by functioning as a form of social infrastructure that supports safety and security

