

Security No.1
S-1

ANNUAL REPORT 2017
41st period
Annual report

S-1 Bldg., Sejongdaero 7-gil, Jung-gu, Seoul
Tel:1588-3112 <http://www.s1.co.kr>



Ranked No. 1 in Anti-crime and security service category of K-BPI for 13 consecutive years (2006~2018)



Ranked No. 1 in Building Maintenance category of Korea Service Grand Prix for 2 consecutive years (2016~2017)

Security No.1 **S-1**

Contents

Letter from the CEO		4
History		6
Annual report		
	1 Business overview	10
	2 Company overview	14
	3 Business performance	16
	4 Information on the parent company, subsidiaries, mergers, etc.	17
	5 Business performance and financial status of the past 3 years	18
	6 Tasks of the company	20
	7 Directors and auditors	20
	8 Major shareholders	21
	9 Investments in other companies made by the company, the company and subsidiaries, or the company's subsidiaries	21
	10 Major creditors, etc.	21
	11 Important facts after settlement of accounts	21
	12 Other important information regarding business	21
Separate financial statements		
	1 Statement of financial position	24
	2 Income statement	26
	3 Statement of changes in equity	27
	4 Statement of cash flow	28
	5 Statements of appropriation of retained earnings	29
	6 Notes to financial statements	29
Consolidated financial statements		
	1 Consolidated statement of financial position	32
	2 Consolidated income statement	34
	3 Consolidated statement of changes in equity	35
	4 Consolidated statement of cash flow	36
	5 Notes to consolidated financial statements	37
Resolution of the Board of Directors		39
Audit report		
	1 Auditor's report	41
	2 Independent auditors' report on financial statements	42
	3 Independent auditors' report on consolidated financial statements	43

Letter from the CEO



In 2017, S-1 constantly challenged itself and innovated, and as a result, company turned in a solid performance, i.e. the highest sales since its founding (KRW1.9423 trillion) and an operating profit of KRW202.6 billion. This stunning result can be attributed to the hard work that all of our employees put in and the support of our shareholders. I want to thank you once again.

Dear shareholders,

I'd like to express my heartfelt gratitude to all of you for always supporting S-1.

Last year the world economy leaned toward protectionism, and consumption stagnated due to rapid political and social changes, so our business environment has continuously faced difficulties. Notwithstanding, S-1 constantly challenged itself and innovated, and as a result, the company turned in a solid performance i.e. the highest sales since its founding (KRW1.9423 trillion) and an operating profit of KRW202.6 billion. This stunning result can be attributed to the hard work that all of our employees put in and the support of our shareholders. I want to thank you once again.

Last year, S-1 worked hard to find new markets to proactively respond to any change.

Alarm Security Division expanded its business in the B2B market, and secured competitiveness through affiliation with large corporations.

Building Management Division built a mobile management system to increase efficiency, and expanded its service scope to include high-rise buildings and shopping mall complexes.

Product sales Division began to preempt the market by providing security consulting for high-rise buildings and financial centers from the design stage. In March 2017, it established the Vietnamese subsidiary in a bid to accelerate its advance into global markets.

For 2018, we promise to live up to the expectations of our shareholders by continuing to challenge ourselves. Now the world is facing a gigantic change called the 4th industrial revolution.

This can be an opportunity or a risk depending on how we respond. S-1 is determined to turn this change into an opportunity for a leap forward through thorough preparation and innovation and thus make 2018 a year for laying the foundation for a centennial enterprise, which we at S-1 know as the "GREAT S-1" endeavor.

For starters, we will reinforce our business competitiveness by developing new technologies.

Securing core technologies will become an essential condition in the age of the 4th industrial revolution.

We intend to create new opportunities through technological innovation, such as developing more convenient and secure biometric solutions and security systems for remotely managed buildings. In addition, we will identify strategic businesses like smart parking and electric vehicle charging infrastructure, and secure future growth engines by expanding the security business to key national infrastructure, smart cities, tunnels and ports.

Next, we will keep our customers satisfied by providing differentiated services.

As an industry leader, we will provide differentiated services and thus enhance customer values.

We will reform our processes and systems to improve the quality of our services. We will improve our patrol processes to provide services ever more quickly, and reinforce our service safety management system. Also, we will provide differentiated customer service by continuously providing field-oriented education and training experts in each field.

Lastly, we will do our best to ensure shareholder primacy.

We will put first priority on shareholder values.

S-1 promised last December, as part of its shareholder-friendly policy, to double the dividend payout ratio, so we have recently decided to increase our dividends by 100% compared to last year. We will also make efforts to maintain our shareholder return policy by accomplishing our sales and profit goals this year as well, and we will work hard to share our corporate values and vision while also reflecting the opinions and suggestions of shareholders into our policies.

Dear shareholders!

For the past 40 years, S-1 has continuously grown through challenges and innovation.

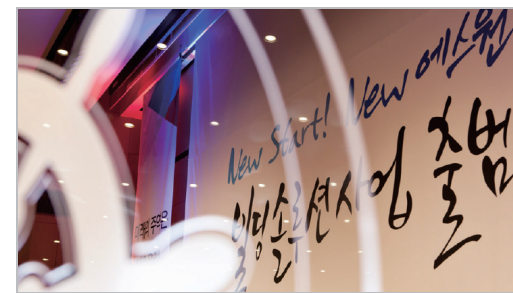
We will fulfill our responsibilities as the industry leader by developing new markets and strengthening our market dominance in order to realize our ultimate goal of becoming a centennial enterprise.

Your continued support will be greatly appreciated.

Thank you.

March 21, 2018
CEO of S-1 Yook Hyun-pyo

History of the Company



1970's 1980's

1990's

2000's

2010's

1970's

- 1977. 11 Established as Korea Security Co. Ltd.
- 1977. 12 Acquired security service license (Minister of the Interior No. 1)

1980's

- 1981. 01 Changed company name to Korea Safety System Inc.
- 1981. 03 Launched security monitoring system service business, first in the country
- 1986. 09 Built-out a national network by implementing online control systems
- 1989. 11 Joined the International Surveillance Association as the representative of Korea

1990's

- 1990. 05 Developed a security system for self-service banks
- 1993. 05 Established the Technical Research Center
- 1995. 12 Initial Public Offering, first in the industry
- 1996. 01 Listed on the stock market
- 1996. 03 Changed company name to S1
- 1996. 10 Developed residential security system
- 1997. 04 Completed state-of-the-art automated logistics center
- 1997. 06 Held an international security forum
- 1997. 08 Received an order for establishment of an unmanned alarm system at an ROK airbase
- 1997. 09 Samsung 3119 Rescue Team designated as the first civilian emergency rescue agency in the country
- 1998. 05 Reached 100,000 contractors, first in the country
- 1998. 11 Opened the Cheonan Specialty Security Training Facility
- 1999. 01 Founded S1 Taekwondo team and established S-Tech Corporation, a spin-off from S1
- 1999. 10 Acquired Y2K certification
- 1999. 11 Launched the Building Master System (BMS)

2000's

- 2000. 02 Signed a partnership agreement with DACOM for high-speed Internet security business
- 2000. 05 Selected by Korea Stock Exchange as an excellent public disclosure corporation for 1999
- 2000. 07 Entered into partnership in the Raemian Ahnsim Apartment Business with Samsung C&T and Samsung Fire & Marine Insurance
- 2000. 09 Launched ePass Combi, an intelligent Access Control System
- 2000. 10 Entered into partnership in the smart card business with OTI (Israel)
- 2000. 11 Entered into partnership in the smart card business with Samsung Card
- 2002. 07 Launched Secom Smart FS (Full Security), a new digital product
- 2002. 08 Developed the world's first Chip Operating System (COS) for smart cards
- 2002. 10 Implemented the integrated security system and new employee ID card system for Samsung Electronics
- 2003. 02 Selected by the Korea Financial Telecommunications & Clearing Institute as the software developer for the Korean electronic monetary system: "K Cash"
- 2003. 09 Launched SBMS, a smart building management system
- 2003. 09 Won first contract for the digital campus system of Chungbuk National University
- 2003. 11 Entered into an agreement with Ajou University for implementation of a multi-functional card system
- 2003. 12 Entered into an agreement with KT Consortium for its digital home pilot project
- 2004. 02 Entered into partnership in the wireless security system business with VISONIC (Israel)
- 2004. 03 Acquired Smart card EMV certification from VISA
- 2005. 04 Won contract for Busan New Port security system
- 2005. 04 Won contract for the electronic voting system pilot project
- 2005. 06 Received the Visa "Smart Star" award from VISA
- 2005. 08 Won contract for the biometric access control system of Incheon International Airport
- 2006. 05 Won contract for the RFID customs clearance and logistics system of the Ministry of National Unification
- 2006. 08 Entered into the youth protection agreement with the Government Youth Commission
- 2006. 11 Launched a video control system
- 2007. 01 Won contract for the RFID integrated security system of HHIC-Phil
- 2007. 05 Won contract for the pilot project for implementation of the U-Child Protection Area safety system
- 2007. 11 30th anniversary
- 2008. 04 Completed the Marine Safety Management System

- 2008. 11 Completed the Integrated Security System for the Defense Security Command
- 2008. 11 Completed the security system for the Samsung office building in Seocho-dong
- 2009. 03 Established technology research center in Russia
- 2009. 04 Launched SECOM V, an intelligent video control system
- 2009. 06 Launched SECOM Master, an integrated management system for mid-to-large buildings
- 2009. 08 Declared implementation of "green management" system and policy
- 2009. 11 Declared "Vision 2020"

2010's

- 2010. 03 Launched AED (Automated External Defibrillator)
- 2010. 03 Entered into an MOU with the Korea Association of Cardiopulmonary Resuscitation
- 2010. 05 Established the Ahnsim Nuri Volunteer Corps, a volunteer corps for cardiopulmonary resuscitation education
- 2010. 10 Launched 'S1 NS', a network security service
- 2010. 12 Received Good Design Award from the Ministry of Knowledge Economy (SECOM card reader, Huen home network system)
- 2011. 05 Declared "compliance management" system and policy
- 2011. 05 Received the '2011 Transparent Management Award' from the Korean Accounting Association
- 2011. 09 Established a Chinese subsidiary
- 2012. 01 Launched S1 PS, a PC security solution
- 2012. 01 Launched SECOM Homz, a security system exclusively for apartments
- 2012. 03 Launched 'enfra', an energy efficiency improvement business
- 2012. 06 Completed construction of state-of-the-art security training center
- 2012. 11 Launched 'UVIS', a vehicle operation management system
- 2012. 11 Opened "S1 One Step Study Room" for low-income youth
- 2013. 03 Launched UWB detector, an indoor 3D scanning system
- 2013. 03 Changed company name from S1 to S-1
- 2013. 04 Launched 'Facecheck S', a face recognition monitoring solution
- 2013. 06 Launched 'SECOM Home Blackbox', a smart home security system exclusively for apartments
- 2013. 09 Launched 'Ahnsim Phone Service', a mobile personal security service
- 2013. 11 Acquired Korea Internet & Security Agency certification for face recognition algorithm performance
- 2014. 01 Completed transfer of the building management business from Samsung Everland
- 2014. 04 Launched S-1 UVIS-T, a freight transportation management system service
- 2014. 08 Launched S-1 UVIS-R/F, a rental car and corporate vehicle operation management system
- 2015. 02 Launched 'Ahnsim Phone LTE', a mobile personal security service
- 2015. 08 Launched 'Blue Asset', the premium total real estate service brand
- 2015. 11 S-1 SVMS acquired highest-level CPNI certification from UK government
- 2015. 12 Completed the GOP scientific surveillance system in the mid-western region
- 2016. 01 Opened the 'S-1 Detection Dog Center', social contribution activity in cultural heritage conservation
- 2016. 03 Safety environment 2D/3D intelligent video analysis solution won the 'IR52 Jang Young-shil Award'
- 2016. 03 Completed construction of the Blue Asset Technology Education Center, the total building management training center
- 2016. 11 Received the 'Minister of Trade, Industry and Energy Award' at Korea Technology Awards 2016
- 2017. 03 Launched 'SECOM izi', a self-security product
- 2017. 03 Established the Vietnamese subsidiary
- 2017. 03 Ranked No. 1 in the K-BPI crime-prevention and security service category for 12 consecutive years
- 2017. 03 Selected as No. 1 Korea Brand Star in the security category
- 2017. 03 Received HR Development Management award at Korea HR Development Awards
- 2017. 05 Completed construction of S-1 Bike School, an education center for motorcycle safety
- 2017. 07 Ranked No. 1 in the KS-SQL unmanned security category for 5 consecutive years
- 2017. 07 Received the Korea Service Grand Prix in the building management category for 2 consecutive years
- 2017. 09 Hosted the '5th S-1 Security Solution Fair', a state-of-the-art security expo
- 2017. 10 Held the '4th All-Ring Ahnsim Campaign' to support crime victims
- 2017. 10 Received Prime Minister's award at the National Sharing Grand Awards in the corporate social contribution category
- 2017. 10 Ranked No. 1 in the KCSI unmanned security category for 3 consecutive years
- 2017. 11 Launched 'S-1PS Anti-ransomware', a ransomware response service
- 2017. 11 40th anniversary

Annual Report

1 Business overview	10
2 Company overview	14
3 Business performance	16
4 Information on the parent company, subsidiaries, mergers, etc.	17
5 Business performance and financial status of the past 3 years	18
6 Tasks of the company	20
7 Directors and auditors	20
8 Major shareholders	21
9 Investments in other companies made by the company, the company and subsidiaries, or the company's subsidiaries	21
10 Major creditors, etc.	21
11 Important facts after settlement of accounts	21
12 Other important information regarding business	21

1. Business overview

Alarm Security



S-1 provides safety and security services for customers with the most highly trained manpower, a national network, and differentiated systems and products

S-1's system security service integrates state-of-the-art security devices with control centers and patrol officers through wired and wireless communication networks. It uses the national patrol infrastructure and best security personnel to prevent crimes and accidents, and guarantees the highest level of safety by providing fast and correct on-the-ground responses in an emergency.

In consideration of different customer needs and life patterns involving homes, commercial facilities and public institutions, S-1 has been introducing various products that not only prevent crimes but also provide various living conveniences. In March 2017, the company launched its first self security product 'SECOM izi' targeting the recently increasing single-man households.

S-1 is trying to provide the absolute best security service to keep up with ever evolving environments and customer needs by developing differentiated systems and training excellent security experts to utilize them

Building Management



S-1 maximizes the values of customers' assets with differentiated solutions as well as safe and pleasant space management

In 2015, S-1 launched the premium total real estate service brand 'S-1 Blue Asset', a service which provides total management throughout the lifecycle of a building from the initial planning and purchasing stages to final sale and demolition.

PM (Property Management) and FM (Facility Management) experts provide leasing, sales and investment consulting as well as energy diagnostics and technical consulting, thus enhancing the efficiency of building operations and the value of the properties. The service also provides total infrastructure for energy management of the building(s) to not only save energy but also optimize overall building operations.

Not surprisingly, for two consecutive years (2016, 2017) 'S-1 Blue Asset' won the Korea Service Grand Prix in the building management category as its excellence was widely recognized.

More recently, the business has been expanding to include housing rentals, high-rise buildings and hotels, and creating new growth potential.

Product Sales



S-1 provides safety for public facilities, shopping mall complexes, plants and high-rise buildings both within Korea and abroad.

S-1 is capitalizing on its 40-years of know-how in leading the domestic security industry to build and provide integrated security systems for the key facilities of the country, such as public institutions, industrial facilities, plants and high-rise buildings.

The company further enhanced its suite of convenience and security offerings with an improved face recognition access control system, which was introduced at the G20 Seoul Summit and the Nuclear Security Summit, and provides security for major enterprises and public institutions. During the first half of 2018, the service is planning to launch 'S-1 CLES', a next-generation enterprise security solution. S-1 looks after public safety as well with its automated tunnel monitoring system that can automatically detect an accident and instantly alert first responders, and installed a GOP scientific surveillance system in the mid-western region that provides integrated security service for social overhead capital.

S-1 has also engaged in security consulting and operations in the global market. In 2017, the company established no fewer than nine overseas branches and subsidiaries in China, the Middle East, Southeast Asia and Vietnam.

Information Security



S-1 uses its round-the-clock remote control know-how and experts to thoroughly protect the valuable information and technologies of customers.

S-1 protects intangible assets like information and technologies as well as tangible assets. The company provides a total information security service through round-the-clock remote control and systematic maintenance.

'S-1VP' is an anti-virus service for detecting and wiping viruses and malicious codes found in a PC. 'S-1PS' searches for and encrypts personal information files in the PC, and prevents information leakage. It also improves work efficiency by managing hardware and software onsite. In 2017, S-1 launched its 'S-1 PS Anti-ransomware' which provides ransomware response as well.

S-1's information security service provides periodic maintenance as a rental solution, and can protect the valuable information and IT assets of customers at a reasonable cost. S-1 provides a high level of safety and security through the convergence security service that protects both the tangible and intangible assets of its customers.

Personal / Vehicle security

S-1 protects not only valuable assets, but also the health and safety of its customers



'S-1 Ahnsim Mobile' is a personal security service that uses the SKT and KT MVNO networks which provide excellent call quality. It combines S-1's security service with the smartphone to provide differentiated services. In case the user gets into an emergency situation, an alert message will be sent to his/her guardian through the emergency notification service, and if the customer requests it, S-1 patrol officers will be dispatched.

The guardian can use a dedicated application to check the location of the user, and use functions like the safety alarm and smartphone power OFF alarm. It also provides differentiated services like a health counseling service for the elderly, and a harmful content blocking service for juniors/teenagers.

'S-1 UVIS' is a vehicle operation management service that combines state-of-the-art technology and control know-how. A 3G terminal using MVNO communication networks is installed in the vehicle so that it is possible to check vehicle location, status and operation information in real time on the website using the smartphone. As operational analysis can be used to improve the efficiency of vehicle use, customers' operating costs can be reduced.

R&D

S-1 is making new standards for state-of-the-art security solutions by developing innovative technologies.



At the center of S-1's technology innovation is the Convergence Security Research Center. Established in 1993, the Center employs about 200 researchers who are leading the security market by developing sensor and video technologies on their own, and launching various products based on those technologies. In particular, 'S-1SVMS', the intelligent video analysis solution, developed by S-1, acquired the highest-level certification from the Center for the Protection of National Infrastructure (CPNI) of the UK government, and received the Jang Young Shil award, the most prestigious technology award in Korea, as well as the Korea Technology Award. So the performance of the technology has been recognized both at home and abroad.

In 2017, S-1 created a dedicated customer support office and has been working hard to reinforce onsite support and expertise by organically collaborating with the Convergence Security Research Center.

S-1 is now accelerating its effort to improve R&D and technology to introduce competitive solutions and products in the global market.

Social contributions

S-1 will practice love and sharing, and inclusive growth with neighbors and the society.



The S-1 Social Volunteer Corps has been engaged in the 'Ahnsim Nuri Project' (support for Ahnsim villages and cardiopulmonary resuscitation education) targeting schools and various organizations to help create a safe society in which crimes are prevented and lives can be saved in an emergency.

The 'Termite Detection Dog Project' for protecting wooden cultural properties, the 'Hope Scholarship Project' for helping youths living in correctional institutions and shelters to grow into wholesome citizens and the 'All-Ring Ahnsim Project' providing support for crime victims are representative social contribution activities of S-1.

The 'All-Ring Ahnsim Campaign', which raises funds through walkathons, was in its 4th year in 2017. It has become a social contribution event in which employees, their families and citizens are participating. Also, the 3119 Rescue Team, the first civilian emergency rescue organization in Korea, has conducted rescue activities at numerous accident scenes with state-of-the-art equipment and excellent technology. Ordinarily the team focuses on providing safety education and training for citizens, such as disaster management, first aid and what we should do in an emergency.

Educational Facilities

S-1 guarantees security services that will delight customers by developing the best security experts.



S-1 is making efforts to raise state-of-the-art security experts. In 1998 the company established Korea's first security education institution, the S-1 Training Center, and has since been training experts who have an upright character and a service-minded attitude, and a knowledge of basic legal principles and technology. Special programs of the S-1 Training Center include the core value of education, hierarchical leadership education, job experts education, global competency education and a special "challenge" program, which is an outdoor training program.

The 'Total State-of-the-art Security Training Center', for hands-on training in the same environment as the field, the 'Blue Asset Technology Education Center', and the 'S-1 Bike School', a training center exclusively for motorcyclists, (opened in May 2017) make it possible to provide customers with the best services.

S-1 is developing state-of-the-art security and technology experts, and reinforcing its service competitiveness by continuously improving the educational environment and developing professional education programs.

2. Company overview

1) Objectives

- Telecommunications business
- Security services pursuant to the Security Services Business, e.g. facility security services, mechanical equipment security services, escort security services, and personal protection services
- Development of programs for wired and wireless information and communications business, such as the Internet and satellites, manufacture and sale of communication devices, and related service businesses like e-commerce
- Investigation, guidance and counseling with regard to safety management
- Transportation, management and arrangement of cash and valuables
- Security services using guard dogs, and raising and training of guard dogs
- General electrical work, telecommunications business, and general subsidiary construction work
- Export and import of devices and safety management
- Development, manufacturing and sale of medical devices and related services
- Manufacturing and sale of water purifiers
- Design, supervision, construction and inspection of fire protection systems
- Real estate construction, equipment construction and interior construction businesses, and other related services
- Stolen vehicle recovery system business
- Education business
- Development, manufacturing, sale, monitoring and certification of products related to information protection
- Recruiting of card merchants and members, development, manufacturing, sale, monitoring and certification of devices and related services
- Environment-friendly and public hygiene, animal disease control, and related services
- Location information business, location-based services, development of programs for location-based services, and manufacturing and sale of devices
- Manufacturing, sale and maintenance of crime-prevention, disaster-prevention and safety devices and systems
- Development and sale of software
- Manufacturing and sale of foods and drugs, and related services
- Health and fitness coaching, management, sale of goods, visiting care and related services
- Operation of welfare facilities for senior citizens and related services
- Sale of tombs and funeral services
- Energy diagnostics for improving the efficiency of energy use, investment in facilities, manufacturing, sale, installation, construction, R&D and management of machines and materials, and related services
- Sale and rental of medical devices for animals and quasi drugs, and related services
- Verification business related to greenhouse gases, and energy management by objective
- Renewable energy business (development/generation of renewable energy; manufacturing, assembly, installation and sale of equipment; cultivation, storing, processing and distribution of raw materials; other related businesses)
- Management, lease, supply and brokerage of real estate, business facility maintenance service, housing management service, and other related services
- All businesses incidental to the above

2) Sales offices in the country

(as of December 31, 2017, unit: location)

Classification	Gyeonggi	Gangnam	Gyeongin	Gangbuk	Gyeongbuk	Chungcheong	Buul (Busan-Ulsan)	Honam	Gyeongnam	Gangwon	Total
Business team	1	1	1	1	1	1	1	1	1	1	10
Branch	13	10	11	10	11	10	9	10	8	7	99
Sub total	14	11	12	11	12	11	10	11	9	8	109

※ System service bases

3) Employees

(as of December 31, 2017, units: persons)

Classification	Engineers	Salespeople	Office workers	Other	Total
Persons	4,210	1,284	281	377	6,152

4) Information of shares

① Types and total number of issued shares

(Unit: share, KRW1,000)

Types of shares	Number of shares	Amount	Component ratio	Remarks
Common shares	37,999,178	18,999,589	100%	—

② Changes in capital stock

There has been no change in capital stock in the past 5 years.

③ Stock-related matters

Closing date	December 31		
Stock book closing period	From January 1 to January 31	Record date	December 31
Notification method	Internet homepage of S-1 (http://www.s1.co.kr) / Joongang Ilbo		
Types of share certificates	1, 5, 10, 50, 100, 500, 1,000, 10,000 shares per certificate (8 types)		
Transfer agent	Name of the agent	KEB Hana Bank Security Agency Department	
	Address	72, Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul	

5) Matters concerning corporate bonds “N/A”

3. Business performance

1) Sales

(Unit: KRW100 million)

By product	Sales performance		Remarks
	41st period	40th period	
Alarm security	9,741	9,337	
Building management	4,742	4,441	
Product sales	2,866	2,692	
Integrated Security	1,800	1,612	
Other	151	101	
Total	19,300	18,183	

2) Key investments and fund-raising status

(Unit: KRW100 million)

Details of investment	Amount	Fundraising
Security equipment & Facilities	1,125	Internal reserves
Tools and Supplies	32	
Other	106	
Total	1,263	

4. Parent company, subsidiaries, mergers, etc.

1) Parent company

"N/A"

2) Subsidiaries

(As of December 31, 2017, unit: KRW1,000, share, %)

Subsidiaries				Relationship with S-1		
Company name	Location	Capital stock	Business category	Number of shares owned	Ownership	Relationship
Human TSS, Inc	Daebo Bldg., 141, Gwongwang-ro, Gwonseon-gu, Suwon, Gyeonggi-do (Gwonseon-dong)	1,000,000	Security system service	200,000	100.00	Service transaction
S-1 CRM Corporation	S-1 Bldg., 522, Gyeongsudaero, Paldal-gu, Suwon, Gyeonggi-do (Ingye-dong)	700,000	Call center and tele-marketing	140,000	100.00	Service transaction
Samsung(Beijing) Security Systems	18F china merchants tower, NO.118, jian guo lu, chaoyang district, Beijing, China	1,181,000	Security system service	Capital stock unissued	100.00	Commodity trade
SOCM LLC	#604 6th floor, 4th khoroo, UB platinum, Bayangol district, Ulaanbaatar, Mongolia	96,000	Security system service	Capital stock unissued	100.00	-
S-1 CORPORATION VIETNAM CO., LTD	2nd floor, Halla Office Building, Yen Phong Industrial Park, Yen Trung Commune, Yen Phong District, Bac Ninh province	1,131,000	Security system service	Capital stock unissued	100.00	Commodity trade
SVIC No. 35 new technology business investment partnership	11, Seochodaero 74-gil, Seocho-gu, Seoul (Seocho-dong)	1,000,000	New technology investment	Capital stock unissued	99.00	Investment partnership

3) Concurrent offices of executives in subsidiaries

Executives with concurrent offices		Companies in which they hold concurrent offices			Remarks
Name	Position	Company name	Position	Duty	
Choi Chan-gyo	Executive managing director	S-1 CRM CORPORATION	Auditor	Auditing	
		Samsung(Beijing) Security Systems	Director	Business management	
Park Chae-yeong	Managing director	Human TSS, Inc	Auditor	Auditing	
		Samsung (Beijing) Security Systems	Director	Business management	
Cho Yeong-sik	Managing director	Samsung (Beijing) Security Systems	Auditor	Auditing	

5. Business performance and financial position of the past three years

1) Business performance (Summary income statement)

(Unit: KRW100 million)

Title	41st period	40th period	39th period
1. Sales	19,300	18,183	17,888
2. Cost of sales	13,616	12,675	12,516
3. Gross profit	5,684	5,508	5,372
4. Selling and Administrative Expenses	3,681	3,481	3,673
5. Operating profit	2,003	2,027	1,699
6. Other non-operating income	140	107	1,118
7. Other non-operating expenses	287	319	329
8. Financial income	33	17	5
9. Financial costs	1	1	26
10. Profit before income tax	1,888	1,831	2,467
11. Income tax expense	478	446	585
12. Profit for the year	1,410	1,385	1,882

2) Financial position (summary statement of financial position)

(Unit: KRW100 million)

Title	41st period	40th period	39th period
Assets			
I. Current assets	5,461	4,090	3,342
II. Non-current assets	10,099	10,287	10,378
Total assets	15,560	14,377	13,720
Liabilities			
I. Current liabilities	2,760	2,698	3,135
II. Non-current liabilities	787	717	818
Total liabilities	3,547	3,415	3,953
Equity			
I. Capital stock	190	190	190
II. Capital surplus	1,929	1,929	1,929
III. Retained earnings	11,413	10,362	9,173
IV. Other components of Equity	(1,519)	(1,519)	(1,525)
Total equity	12,013	10,962	9,767
Total Liabilities and Equity	15,560	14,377	13,720

6. Tasks facing the company

See "Company Overview"

7. Directors and auditors

(as of December 31, 2017)

Classification	Name	Position	Duty	Relationship with the company	Remarks
Permanent	Yook Hyun-pyo	President & CEO (internal director)	General manager	None	
	Kida Koichi (木田公一)	Vice-president and CEO (internal director)	General manager	None	
	Lim Seok-woo	Vice-president (internal director)	Head of the SE Business Division	None	
	Park Joon-seong	Executive managing director (internal director)	Head of the management support office	None	
	Kim Yoon-hwan	Auditor	-	None	
Non-permanent	Komatsuzaki Tsuneo (小松崎常夫)	Non-executive director	-	None	SECOM IS Laboratory advisor
	Sato Sadahiro (佐藤貞宏)	Non-executive director	-	None	Head of the international business division of SECOM Group
	Lee Sang-beom	Outside director	-	None	-
	Kim Yeong-geol	Outside director	-	None	-
	Takakura Kenshu (高倉憲秀)	Auditor	-	None	Head of the technology department, international division of SECOM Group

8. Major shareholders

(as of December 31, 2017)

Name of shareholders	Number of shares owned	Ownership (%)	Relationship with the company
SECOM Japan	9,747,383	25.65	
Samsung SDI	4,190,681	11.03	
National Pension Service	2,593,272	6.82	
Samsung Life Insurance	2,030,476	5.34	
THE GOVERNMENT OF SINGAPORE	836,872	2.20	

9. Investments in other companies made by the company, the company and subsidiaries, or the company's subsidiaries

(as of December 31, 2017)

Name of other companies	Parent company	Investment in other companies		Of other companies which invested in S-1	
		Number of shares owned (share)	Ownership (%)	Number of shares owned (share)	Ownership (%)
Human TSS, Inc.	S-1	200,000	100.00	-	-
S-1CRM Corporation	S-1	140,000	100.00	-	-
Samsung(Beijing) Security Systems	S-1	Capital stock unissued	100.00	-	-
SOCM LLC	S-1	Capital stock unissued	100.00	-	-
S-1 CORPORATION VIETNAM CO.,LTD	S-1	Capital stock unissued	100.00	-	-
SVIC No. 35 New Technology Business Investment partnership	S-1	Capital stock unissued	99.00	-	-
Igloo Security	S-1	1,209,829	11.00	-	-

10. Major creditors, etc

"N/A"

11. Important facts after settlement of accounts

"N/A"

12. Other important information regarding business

"N/A"

Separate Financial Statements

1 Statement of financial position	24
2 Income statement	26
3 Statement of changes in equity	27
4 Statement of cash flow	28
5 Statements of appropriation of retained earnings	29
6 Notes to financial statements	29

1. Statement of financial position

41st period as of December 31, 2017
40th period as of December 31, 2016

(Unit: KRW)

Title	41st (current) period		40th (prior) period	
Assets				
I. Current assets		546,155,114,332		409,048,471,893
1. Cash and cash equivalents	149,250,146,233		126,781,108,729	
2. Short-term financial instruments	204,406,870,630		94,324,464,530	
3. Accounts receivable and other receivables	146,830,659,611		147,825,536,374	
4. Accrued revenue	1,571,288,475		457,237,401	
5. Inventories	39,464,424,658		34,220,071,124	
6. Advance payments	734,982,400		759,443,781	
7. Prepaid expenses	3,896,742,325		4,680,609,954	
II. Non-current assets		1,009,882,218,299		1,028,679,911,756
1. Long-term financial instruments	7,000,000		8,000,000	
2. Available for sale financial assets	6,291,806,987		5,931,315,537	
3. Loans and receivables	49,796,010,484		47,214,879,047	
4. Investments in subsidiaries	6,251,067,960		4,130,067,960	
5. Tangible assets	460,303,489,213		472,934,168,195	
6. Intangible assets	458,215,162,461		478,068,563,239	
7. Other Non-current assets	10,621,811		11,345,530	
8. Net defined benefit assets	14,757,801,378		6,396,514,661	
9. Deferred tax assets	14,249,258,005		13,985,057,587	
Total assets		1,556,037,332,631		1,437,728,383,649

(Unit: KRW)

Title	41st (current) period		40th (prior) period	
Liabilities				
I. Current liabilities		276,032,745,821		269,860,777,690
1. Accounts payables and other payables	175,338,232,524		179,433,756,119	
2. Value-added tax withheld	20,374,505,483		16,739,758,416	
3. Income tax payable	23,989,997,756		24,483,024,146	
4. Advances	51,144,221,168		44,787,771,256	
5. Unearned revenue	79,670,000		93,310,000	
6. Withholdings	5,106,118,890		4,323,157,753	
II. Non-current liabilities		78,718,515,911		71,707,048,150
1. Long-term account payables and other payables	7,242,981,600		-	
2. Deposits received	43,475,348,584		47,423,755,970	
3. Estimated liabilities	5,820,000,000		3,820,000,000	
4. Other non-current liabilities	22,180,185,727		20,463,292,180	
Total liabilities		354,751,261,732		341,567,825,840
Equity				
I. Capital stock		18,999,589,000		18,999,589,000
1. Common capital stock	18,999,589,000		18,999,589,000	
II. Capital surplus		192,913,601,374		192,913,601,374
III. Retained earnings		1,141,256,941,507		1,036,177,280,937
IV. Other components of Equity		(151,884,060,982)		(151,929,913,502)
Total Equity		1,201,286,070,899		1,096,160,557,809
Total liabilities and equity		1,556,037,332,631		1,437,728,383,649

2. Income statement

41st period from January 1, 2017 through December 31, 2017
40th period from January 1, 2016 through December 31, 2016

(Unit: KRW)

Title	41st (current) period		40th (prior) period	
I. Sales		1,929,985,701,788		1,818,302,083,292
II. Cost of sales		1,361,599,717,762		1,267,458,582,382
III. Gross profit		568,385,984,026		550,843,500,910
1. Selling and Administrative expenses	368,094,844,152		348,151,443,688	
IV. Operating profit		200,291,139,874		202,692,057,222
1. Other non-operating income	13,986,360,963		10,748,197,313	
2. Other non-operating expenses	28,703,461,581		31,959,867,311	
3. Financial income	3,269,732,143		1,737,290,642	
4. Financial cost	58,496,990		133,731,554	
V. Profit before income tax		188,785,274,409		183,083,946,312
1. Income tax expense	47,840,459,068		44,619,266,061	
VI. Profit for the year		140,944,815,341		138,464,680,251
VII. Earnings per share				
Basic earnings per share		4,169		4,095
Diluted earnings per share		4,169		4,095

3. Statement of changes in equity

41st period from January 1, 2017 through December 31, 2017
40th period from January 1, 2016 through December 31, 2016

(Unit: KRW)

Title	Capital stock	Paid-in capital in excess of par value	Retained earnings	Other capital items	Total
January 1, 2016 (beginning of prior period)	18,999,589,000	192,913,601,374	917,274,847,299	(152,544,337,257)	976,643,700,416
A. Total comprehensive income					
1. Net income	-	-	138,464,680,251	-	138,464,680,251
2. Gain/loss on valuation of available for sale financial assets	-	-	-	614,423,755	614,423,755
3. Remeasurement of net defined benefit liabilities (assets)	-	-	21,010,040,187	-	21,010,040,187
B. Transactions with the owner					
1. Dividends	-	-	(40,572,286,800)	-	(40,572,286,800)
December 31, 2016 (end of prior period)	18,999,589,000	192,913,601,374	1,036,177,280,937	(151,929,913,502)	1,096,160,557,809
January 1, 2017 (beginning of current period)	18,999,589,000	192,913,601,374	1,036,177,280,937	(151,929,913,502)	1,096,160,557,809
A. Total comprehensive income					
1. Net income	-	-	140,944,815,341	-	140,944,815,341
2. Gain and loss on valuation of available for sale financial assets	-	-	-	45,852,520	45,852,520
3. Remeasurement of net defined benefit liabilities (assets)	-	-	6,397,643,979	-	6,397,643,979
B. Transactions with the owner					
1. Dividends	-	-	(42,262,798,750)	-	(42,262,798,750)
December 31, 2017 (end of current period)	18,999,589,000	192,913,601,374	1,141,256,941,507	(151,884,060,982)	1,201,286,070,899

4. Statement of cash flow

41st period from January 1, 2017 through December 31, 2017
40th period from January 1, 2016 through December 31, 2016

(Unit: KRW)

Title	41st (current) period		40th (prior) period	
I. Cash flow from operating activities		290,452,310,429		267,467,888,676
1. Operating cash flow	338,973,017,278		338,627,551,800	
A. Net income	140,944,815,341		138,464,680,251	
B. Adjustment	235,439,650,566		244,729,207,390	
C. Increase (decrease) in assets and liabilities related to operating activities	(37,411,448,629)		(44,566,335,841)	
2. Interest received	2,071,461,089		1,282,421,471	
3. Dividend revenue	62,676,450		36,854,870	
4. Income tax paid	(50,654,844,388)		(72,478,939,465)	
II. Cash flow from investing activities		(225,720,474,175)		(212,019,247,757)
1. Increase (decrease) in financial instruments	(110,081,406,100)		(79,954,530,000)	
2. Acquisition of available for sale financial assets	(300,000,000)		-	
3. Acquisition of tangible assets	(121,164,186,267)		(132,662,037,658)	
4. Disposal of tangible assets	10,146,936,928		128,896,973	
5. Acquisition of intangible assets	(118,569,040)		(155,576,720)	
6. Disposal of intangible assets	500,000,000		-	
7. Acquisition of investments in subsidiaries	(2,121,000,000)		(476,127,960)	
8. Increase (decrease) in loans and receivables	(2,582,249,696)		1,100,127,608	
III. Cash flow from financial activities		(42,262,798,750)		(40,572,286,800)
1. Payment of dividends	(42,262,798,750)		(40,572,286,800)	
IV. Increase in cash and cash equivalents (I + II + III)		22,469,037,504		14,876,354,119
V. Beginning cash and cash equivalents		126,781,108,729		111,904,754,610
VI. Ending cash and cash equivalents		149,250,146,233		126,781,108,729

5. Statements of appropriation of retained earnings

41st period from January 1, 2017 through December 31, 2017 expected date of disposal: March 21, 2018
40th period from January 1, 2016 through December 31, 2016 confirmed date of disposal: March 24, 2017

(Unit: KRW)

Classification	41st (current) period		40th (prior) period	
I. Unappropriated retained earnings		222,802,814,392		207,723,153,822
1. Unappropriated retained earnings carried over from prior years	75,460,355,072		48,248,433,384	
2. Remeasurement of net defined benefit liabilities (assets)	6,397,643,979		21,010,040,187	
3. Net income	140,944,815,341		138,464,680,251	
II. Appropriations of retained earnings		154,525,597,500		132,262,798,750
1. Voluntary reserve	70,000,000,000		90,000,000,000	
2. Dividends	84,525,597,500		42,262,798,750	
Cash dividends	84,525,597,500		42,262,798,750	
Dividend (payout ratio) per share				
Current period: KRW2,500 (500%)				
Prior period: KRW1,250 (250%)				
Unappropriated retained earnings to be carried over to subsequent year		68,277,216,892		75,460,355,072

6. Notes to financial statements

For information on the notes, please read the audit report on the financial statements disclosed in the Data Analysis, Retrieval and Transfer System of the Financial Supervisory Service (<http://dart.fss.or.kr>) on March 13, 2018

Consolidated Financial Statements

1 Consolidated statement of financial position	32
2 Consolidated income statement	34
3 Consolidated statement of changes in equity	35
4 Consolidated statement of cash flow	36
5 Notes to consolidated financial statements	37

1. Consolidated statement of financial position

41st period as of December 31, 2017
40th period as of December 31, 2016

(Unit: KRW)

Title	41st (current) period		40th (prior) period	
Assets				
I. Current assets		575,318,467,890		434,916,616,633
1. Cash and cash equivalents	171,114,297,200		144,098,268,610	
2. Short-term financial instruments	208,406,870,630		98,324,464,530	
3. Accounts receivable and other receivables	147,994,208,334		150,360,780,344	
4. Accrued revenue	1,608,464,780		493,430,820	
5. Inventories	41,173,539,280		35,836,895,208	
6. Advance payments	995,390,029		1,020,516,768	
7. Prepaid expenses	4,025,697,637		4,782,260,353	
II. Non-current assets		1,006,218,511,535		1,025,460,030,056
1. Long-term financial instruments	7,000,000		8,000,000	
2. Available for sale financial assets	6,291,806,987		5,931,315,537	
3. Loans and receivables	51,381,313,832		48,775,407,047	
4. Tangible assets	462,426,324,215		474,898,684,607	
5. Intangible assets	458,876,989,729		478,630,844,938	
6. Other non-current assets	10,621,811		11,345,530	
7. Net defined benefit assets	10,912,497,682		1,372,513,417	
8. Deferred tax assets	16,311,957,279		15,831,918,980	
Total assets		1,581,536,979,425		1,460,376,646,689

(Unit: KRW)

Title	41st (current) period		40th (prior) period	
Liabilities				
I. Current liabilities		292,782,419,691		288,030,525,001
1. Accounts payables and other payables	187,728,536,160		193,612,021,253	
2. Value Added Tax Withheld	23,103,536,073		19,297,144,779	
3. Income tax payable	24,715,231,480		25,062,383,748	
4. Advances	51,209,891,097		44,887,953,486	
5. Unearned revenue	79,670,000		93,310,000	
6. Withholdings	5,945,554,881		5,077,711,735	
II. Non-current liabilities		80,917,056,860		72,400,754,242
1. Long-term account payables and other payables	7,242,981,600		-	
2. Deposits received	43,475,348,584		47,423,755,970	
3. Estimated liabilities	5,820,000,000		3,820,000,000	
4. Other Non-current liabilities	24,378,726,676		21,156,998,272	
Total liabilities		373,699,476,551		360,431,279,243
Equity				
Controlling Company Shareholder's Equity		1,207,828,465,973		1,099,945,367,446
I. Capital stock		18,999,589,000		18,999,589,000
1. Common capital stock	18,999,589,000		18,999,589,000	
II. Capital surplus		192,913,601,374		192,913,601,374
III. Retained earnings		1,148,521,528,923		1,040,420,682,965
IV. Other components of Equity		(152,606,253,324)		(152,388,505,893)
Non-controlling interests		9,036,901		-
Total equity		1,207,837,502,874		1,099,945,367,446
Total liabilities and equity		1,581,536,979,425		1,460,376,646,689

2. Consolidated income statement

41st period from January 1, 2017 through December 31, 2017
40th period from January 1, 2016 through December 31, 2016

(Unit: KRW)

Title	41st (current) period		40th (prior) period	
I. Sales		1,942,266,128,227		1,830,176,817,492
II. Cost of sales		1,375,981,177,734		1,280,843,141,393
III. Gross profit		566,284,950,493		549,333,676,099
1. Selling and Administrative expenses	363,710,593,472		343,655,893,344	
IV. Operating profit		202,574,357,021		205,677,782,755
1. Other non-operating income	14,252,274,109		10,986,089,438	
2. Other non-operating expenses	28,847,160,445		32,264,103,883	
3. Financial income	3,489,636,755		1,899,866,608	
4. Financial costs	63,528,387		133,731,554	
V. Profit before income tax		191,405,579,053		186,165,903,364
1. Income tax expense	48,079,459,171		45,620,105,662	
VI. Profit for the year		143,326,119,882		140,545,797,702
Controlling Company Shareholder's Equity		143,327,082,981		140,535,664,047
Non-controlling interests		(963,099)		10,133,655
VII. Gain and loss per share of the controlling company shareholder's equity				
Basic earnings per share		4,239		4,157
Diluted earnings per share		4,239		4,157

3. Consolidated statement of changes in equity

41st period from January 1, 2017 through December 31, 2017
40th period from January 1, 2016 through December 31, 2016

(Unit: KRW)

Title	Controlling Company Shareholder's Equity					Non-controlling interests	Total
	Capital stock	Paid-in capital in excess of par value	Retained earnings	Other capital items	Controlling Company Shareholder's Equity subtotal		
January 1, 2016 (beginning of prior period)	18,999,589,000	192,913,601,374	920,890,867,342	(152,711,264,494)	980,092,793,222	263,176,503	980,355,969,725
A. Total comprehensive income							
1. Net income	-	-	140,535,664,047	-	140,535,664,047	10,133,655	140,545,797,702
2. Gain/loss on valuation of available for sale financial assets	-	-	-	614,423,755	614,423,755	-	614,423,755
3. Remeasurement of net defined benefit liabilities (assets)	-	-	19,566,438,376	-	19,566,438,376	-	19,566,438,376
4. Overseas business profit/loss on foreign exchange	-	-	-	(88,847,352)	(88,847,352)	-	(88,847,352)
B. Transactions with the owner							
1. Dividends	-	-	(40,572,286,800)	-	(40,572,286,800)	-	(40,572,286,800)
2. Acquisition of investments in subsidiaries	-	-	-	(202,817,802)	(202,817,802)	(273,310,158)	(476,127,960)
December 31, 2016 (end of prior period)	18,999,589,000	192,913,601,374	1,040,420,682,965	(152,388,505,893)	1,099,945,367,446	-	1,099,945,367,446
January 1, 2017 (beginning of current period)	18,999,589,000	192,913,601,374	1,040,420,682,965	(152,388,505,893)	1,099,945,367,446	-	1,099,945,367,446
A. Total comprehensive income							
1. Net income	-	-	143,327,082,981	-	143,327,082,981	(963,099)	143,326,119,882
2. Gain/loss on valuation of available for sale financial assets	-	-	-	45,852,520	45,852,520	-	45,852,520
3. Remeasurement of net defined benefit liabilities (assets)	-	-	7,036,561,727	-	7,036,561,727	-	7,036,561,727
4. Overseas profit/loss on foreign exchange	-	-	-	(263,599,951)	(263,599,951)	-	(263,599,951)
B. Transactions with the owner							
1. Dividends	-	-	(42,262,798,750)	-	(42,262,798,750)	-	(42,262,798,750)
2. Acquisition of investments in subsidiaries	-	-	-	-	-	10,000,000	10,000,000
December 31, 2017 (end of current period)	18,999,589,000	192,913,601,374	1,148,521,528,923	(152,606,253,324)	1,207,828,465,973	9,036,901	1,207,837,502,874

4. Consolidated statement of cash flow

41st period from January 1, 2017 through December 31, 2017
40th period from January 1, 2016 through December 31, 2016

(Unit: KRW)

Title	41st (current) period		40th (prior) period	
I. Cash flows from operating activities		294,205,564,106		273,180,864,514
1. Operating cash flow	342,998,268,675		345,181,337,050	
A. Net income	143,326,119,882		140,545,797,702	
B. Adjustments	243,391,786,951		252,620,253,888	
C. Increase (decrease) in assets and liabilities related to operating activities	(43,719,638,158)		(47,984,714,540)	
2. Interest received	2,281,633,684		1,438,300,378	
3. Dividend revenue	62,676,450		36,854,870	
4. Income tax paid	(51,137,014,703)		(73,475,627,784)	
II. Cash flow from investing activities		(224,714,171,558)		(213,542,766,796)
1. Increase (decrease) in financial instruments	(110,081,406,100)		(80,854,530,000)	
2. Acquisition of available for sale financial assets	(300,000,000)		-	
3. Acquisition of tangible assets	(122,132,708,266)		(133,605,876,586)	
4. Disposal of tangible assets	10,147,289,784		159,453,872	
5. Acquisition of intangible assets	(257,097,280)		(221,941,690)	
6. Disposal of intangible assets	500,000,000		-	
7. Increase (decrease) in loans and receivables	(2,600,249,696)		980,127,608	
8. Acquisition of investments in subsidiaries (increase of non-controlling interests)	10,000,000		-	

(Unit: KRW)

Title	41st (current) period		40th (prior) period	
III. Cash flow from financial activities		(42,262,798,750)		(41,048,414,760)
1. Payment of dividends	(42,262,798,750)		(40,572,286,800)	
2. Acquisition of investments in subsidiaries	-		(476,127,960)	
IV. Profit/loss on foreign exchange of cash flow		(212,565,208)		(80,497,509)
V. Net increase in cash and cash equivalents (I + II + III + IV)		27,016,028,590		18,509,185,449
VI. Beginning cash and cash equivalents		144,098,268,610		125,589,083,161
VII. Ending cash and cash equivalents		171,114,297,200		144,098,268,610

5. Notes to consolidated financial statements

For information on the notes, please read the audit report on the financial statements disclosed in the Data Analysis, Retrieval and Transfer System of Financial Supervisory Service (<http://dart.fss.or.kr>) on March 13, 2018.

Resolution of Board of Directors

By a resolution of the Board of Directors, the financial statements and annual report for the 41st period (January 1, 2017 ~ December 31, 2017) are submitted as described above.

January 25, 2018

CEO of S-1 Corporation, Yook Hyun-pyo

Resolution of Board of Directors

CEO	Koichi Kida
Director	Lim Seok-woo
Director	Park Joon-seong
Director	Komatsuzaki Tsuneo
Director	Sato Sadahiro
Outside director	Lee Sang-beom
Outside director	Kim Yeong-geol

Audit Report

1 Auditor's report	41
2 Independent auditor's report on the financial statements	42
3 Independent auditor's report on the consolidated financial statements	43

1. Auditor's audit report

The independent auditors audited the accounting procedures and financial statements of the 41st business year (from January 1, 2017 through December 31, 2017) and report the following:

1) Outline of auditing

The auditors perused accounting books and related documents for auditing, and financial statements, reviewed the consolidated financial statements and supplementary schedules, and made comparisons, conducted due diligence, requested the presence of related officials and asked questions if it was deemed necessary, and following the appropriate auditing procedure. If it was deemed necessary for business auditing to attend the BOD meeting and other important meetings, the auditors received business reports from directors, and inspected and reviewed documents related to important businesses. They used appropriate methods.

2) Matters concerning financial statements, such as the statement of financial position, the consolidated statement of financial position, the comprehensive income statement and the consolidated comprehensive income statement

The financial statements, including the statement of financial position, the consolidated statement of financial position, the comprehensive income statement and the consolidated comprehensive income statement, appropriately reflect the financial status and management performance of the company according to laws and the articles of incorporation.

3) Matters concerning statements of appropriation of retained earnings

The statements of appropriation of retained earnings are appropriate according to laws and the articles of incorporation.

4) Matters concerning the annual report

The annual report appropriately reflects the status of the company according to laws and the articles of incorporation.

February 22, 2018

S-1 Corporation

Auditor Kim Yoon-hwan

Auditor Takakura kenshu

2. Independent auditor's report on the financial statements

To shareholders and the BOD of S-1 Corporation

We audited the attached financial statements of S-1 Corporation. The financial statements consist of the statements of financial position as of December 31, 2017 and December 31, 2016, the income statements, the comprehensive income statements, the statement of changes in equity and the statement of cash flow ending on the same dates of the reporting periods, the summary of the significant accounting policy, and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for preparing the financial statements impartially according to Korean equivalents of International Financial Reporting Standards (K-IFRS) and internal controls internally deemed necessary for preparing financial statements without any distortions due to illegalities or errors.

Auditors' responsibility

We are responsible for expressing opinions on the financial statements based on the auditing we conducted. We conducted the audit according to the Korean Standards of Auditing. These standards demand that we should comply with ethical requirements, and plan and execute the auditing in such a way that we can be reasonably convinced that the financial statements do not have any significant distortions.

The auditing includes the procedure for obtaining the auditing evidence concerning the amounts in the financial statements and the disclosure. The selection of procedures may vary depending on the auditors' judgment, e.g. evaluation of the risk of significant distortions of the financial statements due to illegalities or errors. To design an auditing procedure suitable for the situation when assessing such risks, the auditors consider the internal controls related to the preparation of the financial statements and impartial representation. However, it is not intended to express our opinions on the effectiveness of the internal controls. The auditing includes evaluation of the appropriateness of the accounting policy applied by the management to prepare the financial statements and the rationality of the accounting estimates used by the management as well as evaluation of the overall representation of the financial statements.

We believe that the auditing evidence we obtained is sufficient and appropriate as grounds for expressing our audit opinions.

Audit opinion

In our opinion, the financial statements of the company reflect impartially the current financial status of S-1 Corporation as of December 31, 2017 and December 31, 2016, and the financial performance and cash flow of S-1 Corporation ending on the same dates according to K-IFRS from the viewpoint of materiality.

111, Yeoeuigongwon-ro, Yeongdeungpo-gu, Seoul
Seo Jin-seok, CEO of Ernst & Young Korea



February 27, 2018

This audit report is valid as of the report date. Accordingly, it is possible that incidents or situations may have occurred that seriously affected the attached consolidated financial statements of the company between the audit report date and the perusal of this report and, as a result, necessitated a subsequent modification of this audit report.

3. Independent auditor's audit report on the consolidated financial statements

To the shareholders and BOD of S-1 Corporation

We audited the attached consolidated financial statements of S-1 Corporation and its subsidiaries. The consolidated financial statements consist of the consolidated statements of financial position as of December 31, 2017 and December 31, 2016, the consolidated income statements, the consolidated comprehensive income statements, the consolidated statements of changes in equity, the consolidated statements of cash flow ending on the same dates of the reporting periods, the summary of the significant accounting policy, and other explanatory information.

Management's responsibility for the financial statements

The management is responsible for preparing the consolidated financial statements impartially according to Korean equivalents of International Financial Reporting Standards (K-IFRS), and the internal controls internally determined to be necessary for preparing the consolidated financial statements without any distortions due to illegalities or errors.

Auditors' responsibility

We are responsible for expressing opinions on the consolidated financial statements based on the auditing we conducted. We conducted the audit according to the Korean Standards of Auditing. These standards demand that we comply with ethical requirements, and plan and execute the auditing in such a way that we can be reasonably convinced that the financial statements do not have any significant distortions.

The auditing includes the performance of the procedure for obtaining the auditing evidence concerning the amounts in the consolidated financial statements and the disclosure. The selection of procedures may vary depending on the auditors' judgment, e.g. evaluation of the risk of significant distortions of the consolidated financial statements due to illegalities or errors. To design an auditing procedure suitable for the situation when assessing such risks, the auditors consider the internal controls related to the preparation of the consolidated financial statements and impartial representation. However, it is not intended for us to express our opinions on the effectiveness of the internal controls. The auditing includes evaluation of the appropriateness of the accounting policy applied by the management to prepare the financial statements and the rationality of the accounting estimates used by the management as well as evaluation of the overall representation of the consolidated financial statements.

We believe that the auditing evidence we obtained is sufficient and appropriate as grounds for expressing our audit opinions.

Audit opinion

In our opinion, the consolidated financial statements of the company impartially reflect the current financial status of S-1 Corporation as of December 31, 2017 and December 31, 2016, and the financial performance and cash flow of S-1 Corporation ending on the same dates according to K-IFRS from the viewpoint of materiality.

111, Yeoeuigongwon-ro, Yeongdeungpo-gu, Seoul
Seo Jin-seok, CEO of Ernst & Young Korea



February 27, 2018

This audit report is valid as of the report date. Accordingly, it is possible that incidents or situations may have occurred that seriously affected the attached consolidated financial statements of the company between the audit report date and the perusal of this report and, as a result, necessitated a subsequent modification of this audit report.