

43<sup>rd</sup> period

# Annual report

2019

**S-1 CORPORATION**

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# Letter from the CEO

Last year, all employees of S-1 did their best effort in various areas to ensure solid growth and enhance value for our shareholders.

As a result, our sales increased by 7% in 2019 to KRW 2,151.5 billion compared to 2018, continuing our growth trend.

In 2020, we will concentrate on accomplishing our goals to meet your expectations.



## Dear shareholders!

I wish you and your family good health and happiness.

Last year, our industries underwent a slew of rapid changes.

As platforms, mobile and IoT emerged as the key technologies amid the waves of the 4th industrial revolution with new businesses capitalizing on their features appearing one after another. Competition in the industry has intensified as common carriers have acquired security companies.

Despite this situation, all employees of S-1 worked very hard and together, we achieved record sales again in 2019 following the previous record we set in 2018. We could only have achieved those results thanks to your attention and support.

I really appreciate everything you've done for us, and now I will tell you about the key results of last year.

## S-1 recorded record sales by finding and providing new services.

In 2019, our sales increased by 7% to KRW 2,151.5 billion over 2018, continuing our growth trend.

The security business has capitalized on its existing platform to provide more services through collaboration with a variety of companies including common carriers, startups and pest control companies. The real estate management business maintained its contracts with large banks and laid down a solid foundation in the financial circles, and was able to expand its scope of service to the non-office sectors, such as hotels and baseball parks.

## Furthermore, S-1 consolidated its status as the leading company in its industry.

In Korea, we found various solutions in the B2B market, including high-rise buildings, large apartment complexes and universities.

As a result, we could successfully win contracts for large projects one after another.

We also reinforced our influence in overseas markets.

We concluded security system contracts with airports and industrial complexes in Bangladesh, Saudi Arabia and China, which helped us lay a solid foundation for future growth. Last year, all employees of S-1 made their best efforts to ensure solid growth and enhance shareholder value. We will do our best to meet your expectations in 2020 as well.

## Dear shareholders!

This year, low growth is expected to be the norm throughout the world. Korea is also expected to record a low growth rate of 2% or so. Also, as society is becoming ever more hyper-connected due to advances in IT, traditional boundaries between industries are collapsing.

As new communications and electronics companies appear as competitors, the security industry will take a new turn. Despite the circumstances, S-1 will make efforts to continuously grow through prescient innovation to keep with changes.

## First, we will reinforce our business competitiveness based on our existing platform.

Currently, more than 60% of the world's top 100 companies are using platforms to do business. S-1 is also using its own platform to provide regular services to our customers. We are going to improve our platform technology and collaborate with various enterprises to expand our services. In addition, we will benchmark leading companies to develop a new subscription economy business model that can create synergies with existing platforms. We will thus create the momentum for stable growth by further reinforcing S-1's own platform business.

## Next, we will establish an advanced corporate culture.

We will check all business areas with a focus on customers with a view toward revamping the system. Last year, S-1 used data to realign the logistics system, increased work efficiency, and improved customer convenience. This year, we will take advantage of big data to analyze the market and establish an efficient dispatch process. Also, we will improve our organizational culture. To effectively respond to any changes, we will create a horizontal and flexible communication culture. As a result, we will transform into an efficient organization with a high level of executive ability.

## Lastly, we will continue to make efforts to maximize shareholder value.

As corporate social responsibility has been emphasized in recent years, now only those companies which are respected in society can continuously grow. To enhance the social value of enterprises, S-1 will take the lead in compliance based on transparent management and a thorough law-abiding spirit. We will also strive for win-win management. We will lay a foundation for shared growth by collaborating with our partners. Meanwhile, as a social issue came up earlier this year, safety has become a more important value than ever. As 'safety and security' are the core values that represent the S-1 brand, we will try hard to make the whole nation feel at ease while being committed to safety management at work.

## Dear shareholders!

S-1 has never feared change and has continued its history of challenging extraordinary goals over the past 43 years. As a result, we could continue to be No. 1. Not settling for what we have accomplished so far, we will grow to be the absolute 'best security solution provider' through endless challenge and innovation. Your continued support is greatly appreciated.

Thank you.

March 19, 2020

CEO of S-1 

# History of the Company



1981



1995



1996



2016



2017



2019

## 1970~2000's

- 1977. 11 Established as Korea Security Co. Ltd.
- 12 Acquired security service license (Minister of the Interior No. 1)
- 1981. 01 Changed company name to Korea Safety System Inc.
- 03 Launched a security monitoring system service business, first in the country
- 1986. 09 Built a national network by implementing online control systems
- 1989. 11 Joined the International Surveillance Association as the representative of Korea
- 1990. 05 Developed a security system for self-service banks
- 1993. 05 Established a Technical Research Center
- 1995. 10 Founded Samsung 3119 Rescue team
- 12 Developed a security system for self-service banks
- 1996. 01 Listed on the Korea Stock Exchange
- 03 Changed company name to S1
- 10 Developed a residential security system
- 1997. 04 Completed a state-of-the-art automated logistics center
- 06 Held an international security forum
- 08 Received a contract for establishment of an unmanned alarm system at an ROK airbase
- 09 Samsung 3119 Rescue Team designated as the first civilian emergency rescue agency in the county
- 1998. 05 Reached 100,000 contractors, first in the country
- 11 Opened the Cheon-an Specialty Security Training Facility
- 1999. 01 Founded the S1 Taekwondo team and established S-Tech Corporation, a spin-off from S1
- 10 Acquired Y2K certification
- 11 Launched the Building Master System (BMS)
- 2000. 02 Signed a partnership agreement with DACOM for high-speed Internet security business
- 05 Selected by the Korea Stock Exchange as an "excellent public disclosure corporation" for the year 1999
- 07 Entered into partnership in the Raemian Ahnsim Apartment Business with Samsung C&T and Samsung Fire & Marine Insurance
- 09 Launched ePass Combi, an intelligent access control system
- 10 Entered into partnership in the smart card business with OTI (Israel)
- 11 Entered into partnership in the smart card business with Samsung Card

## 2001~2009's

- 2002. 07 Launched Secom Smart FS (Full Security), a new digital product
- 08 Developed world's first Chip Operating System (COS) for smart cards
- 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 known as "K Cash"
- 09 Launched SBMS, a smart building management system
- 09 Won the first contract for the digital campus system of Chungbuk National University
- 11 Entered into an agreement with Ajou University for implementation of the multi-functiona card system
- 12 Entered into an agreement with KT Consortium for a digital home pilot project
- 2004. 02 Entered into partnership in the wireless security system business with VISONIC (Israel)
- 03 Acquired Smart card EMV certification from VISA
- 2005. 04 Won the contract for the Busan New Port security system
- 04 Won the contract for the electronic voting system pilot project
- 06 Received the Visa Smart Star Award from VISA
- 08 Won the contract for the biometric access control system of the Incheon International Airport
- 2006. 05 Won the contract for the RFID customs clearance and logistics system of the Ministry of National Unification
- 08 Entered into the youth protection agreement with the Government Youth Commission
- 11 Launched a video control system
- 2007. 01 Won the contract for the RFID integrated security system of HHIC-Phil
- 05 Won the contract for the pilot project for implementation of the U-Child Protection Area safety system
- 11 30th anniversary
- 2008. 04 Completed the Marine Safety Management System
- 11 Completed the Integrated Security System for the Defense Security Command
- 11 Completed the security system for the Samsung office building in Seocho-dong
- 2009. 03 Established a technology research center in Russia
- 04 Launched SECOM V, an intelligent video control system
- 06 Launched SECOM Master, an integrated management system for mi-to-large buildings
- 08 Declared green management
- 11 Declared Vision 2020

## 2010's~

- 2010. 03 Launched an AED (Automated External Defibrillator)
- 03 Entered into an MOU with the Korea Association of Cardiopulmonary Resuscitation
- 05 Established Ahnsim Nuri Volunteer Corps, a volunteer corps for cardiopulmonary resuscitation education
- 10 Launched S1 NS, a network security service
- 12 Received a 'Good Design Award' from the Ministry of Knowledge Economy (for the SECOM card reader and Huen home network system)
- 2011. 05 Declared compliance management
- 05 Received the '2011 Transparent Management Award' from the Korean Accounting Association
- 09 Established a Chinese subsidiary
- 2012. 01 Launched S1 PS, a PC security solution
- 01 Launched SECOM Homz, a security system exclusively for apartments
- 03 Launched 'enfra', an energy efficiency improvement business brand
- 06 Completed construction of a state-of-the-art security training center
- 11 Launched UVIS, a vehicle operation management system
- 11 Opened the "S1 One Step Study Room" for low-income youth
- 2013. 03 Launched the indoor 3D UWB detector
- 03 Changed company name from S1 to S-1
- 04 Launched 'Facecheck S', a face recognition monitoring solution
- 06 Launched SECOM Home Black box, a smart home security system exclusively for apartments
- 09 Launched 'Ahnsim Phone Service,' a mobile personal security service
- 11 Acquired Korea Internet & Security Agency certification for facial recognition algorithm
- 2014. 01 Completed transfer of the building management business from Samsung Everland
- 04 Launched 'S-1 UVIS-T', a freight transportation management system service
- 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
- 08 Launched 'Blue Asset', the premium total real estate service brand
- 11 S-1 SVMS acquired highest-level CPNI certification from UK government
- 12 Completed GOP scientific surveillance system in the mid-western region
- 2016. 01 Opened 'S-1 Detection Dog Center', a social contribution activity for cultural heritage conservation
- 03 The 3D & 2D intelligent video analysis solution won the 'IR52 Jang Young-shil Award'
- 03 Completed construction of the 'Blue Asset Technology Education Center', a total building management training center
- 11 Received the 'Minister of Trade, Industry and Energy Award' at Korea Technology Awards 2016
- 2017. 03 Launched 'SECOM izi', a self-security product
- 03 Established Vietnamese subsidiary
- 03 Received 'HRD Management Award' at Korea Human Resources Awards
- 05 Completed construction of the 'S-1 Bike School', an education center for motorcycles
- 10 Received Prime Minister's award at the National Sharing Grand Awards in the corporate social contribution category
- 11 Launched 'S-1 PS Anti-ransomware', a ransomware response service
- 11 40th anniversary
- 2018. 02 S-1 intelligent video analysis algorithm acquired Korea Internet & Security Agency intelligent CCTV performance certification
- 03 Received 'Best HRD Award of the Year'
- 05 Acquired Korea Internet & Security Agency personal information management system (PIMS) certification
- 06 Held '5th All-Ring Ahnsim Campaign' to support crime victims
- 09 Held '6th S-1 security solution Fair', a state-of-the-art security exhibition
- 10 Launched a facial recognition reader
- 12 Launched in-house venture Apolo
- 2019. 03 Launched CLES, a next-generation enterprise security solution
- 03 Selected as an electric vehicle charging station operator by the Ministry of Environment
- 03 Ranked No. 1 in the Korea Brand Power Index (K-BPI) crime prevention and security category for 14 consecutive years
- 03 Opened S-1 Blue Asset Cleaning Education Center
- 07 Ranked No. 1 in the Korean Standard Service Quality Index (KS-SQI) unmanned security category for 7 consecutive years
- 07 Received overall grand prize in the Korea Service Grand Prix building management category for 4 consecutive years
- 09 Received the Ministry of the Interior and Safety award at the Korea Safety Technology Awards 2019
- 10 Ranked No. 1 in the Korean Customer Satisfaction Index (KCSI) in the unmanned security category for 5 consecutive years

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## 1. Business overview

### Alarm Security

S-1 provides safety and security for customers with the best manpower, national network, differentiated systems and products.



S-1's alarm security system 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 infrastructures 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 consumer needs, such as homes, public institutions and commercial facilities, S-1 offers a variety of products to provide the best security and living conveniences.

Also, S-1 developed differentiated systems such as the non-contact face recognition reader, which was released in 2018, and the power outage insurance, which was launched in 2019, to keep up with changes in the environment and customer needs, and provides the best security services for customers by training excellent security experts.

### 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 building management service brand 'S-1 Blue Asset'.

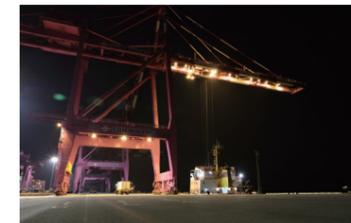
'S-1 Blue Asset' provides total management service throughout the lifecycle of a building from initial planning, purchasing, sale and disposal.

PM (Property Management) and FM (Facility Management) experts provide lease, sale and investment consulting as well as energy diagnostics and technical consulting and thus enhance the operational efficiency and value of the building. The service also provides the infrastructure required for efficient energy management of the building to save energy and enable smooth and optimized operation.

'S-1 Blue Asset' won the Korea Service Grand Prix in the building management category for four consecutive years (2016, 2017, 2018 and 2019), and its excellence has been recognized. More recently, it has been expanding its business to include the smart parking solution business through collaboration with Kakao Mobility and the smart building management service to create new growth potential.

### Product Sales

S-1 provides optimized integrated security solutions, ranging from security design to construction for public institutions, industrial facilities and high-rise buildings.



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

In 2019, the company launched 'CLES,' the next-generation enterprise security solution, based on the face recognition access control system with added convenience and security, which was introduced at the G20 Seoul Summit and the Nuclear Security Summit, and provides safety and security for major enterprises and public institutions.

S-1 looks after public safety as well. The company provides security systems for key military facilities as well as integrated security solutions for SOC (social overhead capital), such as airports and ports.

S-1 is also engaged in various businesses in global markets, such as security consulting and security solution implementation. S-1 has established 10 overseas branches and subsidiaries in China, Hungary and Malaysia, including the Vietnamese subsidiary that was established in 2017.

### Information Security

S-1 uses its professional manpower, control service know-how and proven solutions to thoroughly protect the information assets of customers.



In addition to tangible assets, S-1 also reliably protects intangible assets of our customers such as their data and IP. S-1's 'security control' service provides total information security through round-the-clock remote control services and systematic maintenance. In 2018, S-1 launched its 'cloud security control' service thus expanding the domain of its security portfolio.

'S-1 ESP,' a platform-based service, is an information security solution that can distribute, operate and manage various information security solutions and business programs using a single agent. It can also integratively manage IT business support solutions such as security programs, internal messengers necessary for business, and remote control functions. The company also provides a PC-OFF solution to manage the 52-hour workweek system.

S-1's information security service is a monthly-billing solution that can be maintained periodically and thus protect the valuable information and IT assets of customers at a reasonable cost.

## Personal/Vehicle Security

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



‘S-1 Ahnsim Mobile’ is a personal security service that uses SKT, KT and LG U+ MVNO networks which provide excellent call quality. The service combines S-1’s security service with smartphones to provide differentiated security services. In case a customer falls into an emergency, a designated guardian will be notified via the emergency notification service, and if the customer so requests, S-1 patrol officers will be dispatched.

The guardian can use a dedicated application to see the location of the user, and use functions like the safety alarm and smartphone power OFF alarm. Also provided are differentiated services such as 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 communication terminal using MVNO communication networks is installed in the vehicle to make it possible to check a vehicle’s location, status and operation information in real time on the website and via smartphone app. As operational data analysis can be used to operate the vehicle efficiently, 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.



The Convergence Security Research Center is at the center of S-1’s technology. Established in 1993, the Convergence Security Research Center has professional researchers who are conducting researches on sensors and video technologies, and capitalizes on the technologies it develops on its own to launch various products and lead the security market.

In particular, ‘S-1 SVMS,’ 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 British government. The system also received the Jang Young Shil award, the most prestigious technology award in Korea, the Korea Technology Award and the Korea Safety Technology Award. Its performance was recognized both at home and abroad.

S-1 has also established a technical support center in the Convergence Security Research Center in 2017 in a bid to reinforce onsite support and expertise by organically collaborating with the Convergence Security Research Center.

S-1 is accelerating its efforts to improve R&D and technology to introduce competitive solutions and products in global markets.

## Social Contributions

S-1, creating social values, will be there for neighbors and society.



The S-1 Social Volunteer Corps is conducting CSV (Creating Shared Value) activities to realize the values of safety and security in the human society.

S1 is engaged in the CPTED (Crime Prevention Through Environment Design) project to prevent crimes and create a safe social environment. Also, to realize the core value of People First, the company is operating the ‘Samsung Junior Academy’ for helping youths explore careers and promoting entrepreneurship, and the ‘Hope Scholarship Program’ for helping youths in correctional facilities become wholesome citizens, and providing the ‘CPR education’ necessary for cardiac arrest patients.

In addition, 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 a high level of skills. Ordinarily the team focuses on providing safety education and training for citizens, such as disaster management, first aid and what we should do when in an emergency.

## Educational Facilities

S-1 trains people with best expertise and class based on the ‘People First’ philosophy.



The S-1 Training Center, which was established in 1998 as Korea’s first security education institute, has since been training professional manpower who has the basics, principles, professional skills, service competency, and class as mature citizens.

S-1 operates a ‘Total State-of-the-Art Security Training Center’ for emergency dispatch training for different types of emergencies, a ‘System Practice Center’ for developing the ability to install and maintain security systems, and the ‘S-1 Bike School’ designed to teach students how to safely handle various road conditions to develop enhanced security competency. Additionally, there is the ‘Blue Asset Technology Education Center’ which trains building management experts.

S-1 is training people who will become the foundation of a centennial company through various programs, such as the ‘Challenge Course,’ an educational program for improving teamwork, value sharing, leadership and job expertise courses, and global competency reinforcement.

## 2. Company overview

### 1) Objectives

- Telecommunications business
- Security services pursuant to the Security Services Business Act concerning facility security services, mechanical equipment security services, escort security services and personal protection services
- Development of programs for wired and wireless information and communication businesses, 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 protection dogs and raising and training of protection 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, equipment and interior construction businesses, and other related services
- Stolen vehicle tracking and recovery systems
- Education business
- Development, manufacturing, sale, monitoring and certification of products related to information protection
- Recruiting of card merchants and members, and development, manufacturing, sale, monitoring and certification of related devices and related services
- Environment-friendly, 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 related devices
- Manufacturing, sale and maintenance of crime-prevention, disasterprevention, and safety devices and systems
- Development and sale of software
- Manufacturing and sale of foods and pharmaceuticals, 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, and 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 gas and energy management by objective
- Renewable energy business (development and generation of renewable energy, and manufacturing, assembly, installation and sale of equipment/cultivation, storing, processing and distribution of raw materials, and other related businesses)
- Management, leasing, supply and brokerage of real estate, facility maintenance services, housing management services, and other related services
- All businesses incidental to the above mentioned

### 2) Sales offices in the country

(as of December 31, 2019, unit: Location)

	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
total	14	11	12	11	12	11	10	11	9	8	109

※ System service bases

### 3) Employees

(as of December 31, 2019, unit: persons)

	Engineers	Salespeople	Office workers	Other	Total
headcount	4,785	1,357	279	332	6,753

### 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	Website ( <a href="http://www.s1.co.kr">http://www.s1.co.kr</a> ) / Joongang Ilbo		
Types of share certificates	Bearer common stock		
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
	43rd period	42nd period	
Alarm Security	10,467	10,030	
Building Management	5,609	4,914	
Product Sales	2,840	2,958	
Integrated Security	2,233	2,004	
Other	54	77	
<b>Total</b>	<b>21,203</b>	<b>19,983</b>	

#### 2) Key investments and fund-raising status

(Unit : KRW100 million)

Details of investment	Amount	Fundraising
Security equipment & Facilities	1,375	Internal reserves
Tools and Supplies	26	
Other	162	
<b>Total</b>	<b>1,563</b>	

### 4. Information on the parent company, subsidiaries, mergers, etc.

#### 1) Parent company

“N/A”

#### 2) Subsidiaries

(As of December 31, 2019, unit: KRW1,000, share, %)

Subsidiaries				Relationship		
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	700,000	Call center and telemarketing	140,000	100.00	Service transaction
Samsung Beijing Security Systems	18F china merchants tower, NO.118, jiangulu, 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, VietNam	1,131,000	Security system service	Capital stock unissued	100.00	Commodity trade
S-1 CORPORATION HUNGARY LLC	1036 Budapest, Lajos utca 74-76. 4. em.	31,840	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)	2,989,800	New technology investment	Capital stock unissued	99.00	Investment partnership

#### 3) Concurrent offices of executives in subsidiaries

(As of December 31, 2019)

Executives with concurrent offices		Companies they hold concurrent offices in			Remarks
Name	Position	Company name	Position	Duty	
Choi Chan-gyo	Executive managing director	Samsung Beijing Security Systems	Director	Business management	
		S-1 CORPORATION VIETNAM CO., LTD	Director	Business management	
		S-1 CRM Corporation	Auditor	Auditing	
Kim Soo-beom	Managing director	Samsung Beijing Security Systems	Director	Business management	
		S-1 CORPORATION VIETNAM CO., LTD	Director	Business management	
		Human TSS, Inc.	Auditor	Auditing	

## 5. Business performance and financial status of the past 3 years

### 1) Business performance (Summary income statement)

(Unit : KRW100 million)

	43rd	42nd	41st
1. Sales	21,203	19,983	19,300
2. Cost of sales	15,770	14,528	13,616
3. Gross profit	5,433	5,455	5,684
4. Selling and Administrative Expenses	3,530	3,528	3,681
5. Operating profit	1,903	1,927	2,003
6. Other non-operating income	98	169	140
7. Other non-operating expenses	194	205	287
8. Financial income	59	60	33
9. Financial costs	7	2	1
10. Profit before Income tax	1,859	1,949	1,888
11. Income tax expense	449	938	478
12. Profit for the year	1,410	1,011	1,410

### 2) Financial position (summary statement of financial position)

(Unit : KRW100 million)

	43rd	42nd	41st
<b>Assets</b>			
I . Current assets	6,911	6,251	5,461
II . Non-current assets	10,605	10,209	10,099
<b>Total assets</b>	<b>17,516</b>	<b>16,460</b>	<b>15,560</b>
<b>Liabilities</b>			
I . Current liabilities	3,577	2,834	2,760
II . Non-current liabilities	752	1,068	787
<b>Total liabilities</b>	<b>4,329</b>	<b>3,902</b>	<b>3,547</b>
<b>Equity</b>			
I . Capital stock	190	190	190
II . Capital Surplus	1,929	1,929	1,929
III . Retained earnings	12,581	11,958	11,413
IV . Other components of equity	(1,513)	(1,519)	(1,519)
<b>Total equity</b>	<b>13,187</b>	<b>12,558</b>	<b>12,013</b>
<b>Total Liabilities Equity</b>	<b>17,516</b>	<b>16,460</b>	<b>15,560</b>

## 6. Tasks facing the company

See “Business Overview”

## 7. Directors and auditors

(As of December 31, 2019)

	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 BE 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	Sato Sadahiro (佐藤貞宏)	Non-executive director	-	None	Head of the international business division of SECOM Group
	Nakata Takashi (中田 貴士)	Non-executive director	-	None	SECOM executive officer
	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, 2019)

Name of shareholder	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	2,624,482	6.91	
Samsung Life Insurance	2,030,476	5.34	
THE GOVERNMENT OF SINGAPORE	920,512	2.42	

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

(As of December 31, 2019)

Name of other company	Parent company	Invested 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	-	-
S-1 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	-	-
S-1 CORPORATION HUNGARY LLC	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

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## 1. Statement of financial position

43rd period As of December 31, 2019

42nd period As of December 31, 2018

S-1 Corporation

(Unit : KRW)

	43rd(current) period		42nd(prior) period	
<b>Assets</b>				
<b>I . Current asset</b>		<b>691,060,521,884</b>		<b>625,132,288,906</b>
1. Cash and cash equivalents	169,856,547,526		123,777,368,271	
2. Short-term financial instruments	225,851,126,110		247,936,136,130	
3. Accounts receivable and other receivables	136,424,670,918		118,246,387,485	
4. Contract assets	53,830,274,643		33,945,912,549	
5. Accrued revenue	1,547,090,534		2,348,770,234	
6. Inventories	37,928,912,804		40,234,266,853	
7. Advance payments	6,706,433,905		445,992,232	
8. Prepaid expenses	58,915,465,444		58,197,455,152	
<b>II . Non-current asset</b>		<b>1,060,556,454,854</b>		<b>1,020,850,224,083</b>
1. Long-term contract assets	3,210,559,490		2,179,596,450	
2. Long-term financial assets	6,000,000		6,000,000	
3. Other comprehensive income: Financial assets at fair value	10,270,706,202		9,383,429,182	
4. Profit and loss: Financial assets at fair value	492,071,210		3,192,071,210	
5. Loans and receivables	46,824,983,920		50,869,159,622	
6. Subsidiary and joint venture equity securities	10,982,707,960		7,292,707,960	
7. Tangible assets	468,616,284,029		457,385,529,269	
8. Intangible assets	439,269,005,565		442,505,722,661	
9. Right-of-use assets	26,006,498,532		-	
10. Long-term prepaid expenses	54,093,247,963		47,763,609,758	
11. Net defined benefit assets	784,389,983		-	
12. Deferred tax assets	-		272,397,971	
<b>Total assets</b>		<b>1,751,616,976,738</b>		<b>1,645,982,512,989</b>

	43rd(current) period		42nd(prior) period	
<b>Liabilities</b>				
<b>I . Current liabilities</b>		<b>357,658,874,830</b>		<b>283,335,902,220</b>
1. Accounts payable and other liabilities	198,912,432,780		182,642,081,886	
2. Lease liabilities	11,236,779,831		-	
3. Value added tax withheld	19,362,354,497		18,195,448,964	
4. Income tax payable	23,733,462,707		19,391,339,844	
5. Advances from customers	47,451,989,847		41,733,562,229	
6. Unearned revenue	15,930,318,822		15,667,922,711	
7. Deposits received	6,052,400,500		5,705,546,586	
8. Current portion of deposits received	34,979,135,846		-	
<b>II . Non-current liabilities</b>		<b>75,253,409,707</b>		<b>106,822,043,565</b>
1. Long-term accounts payable and other liabilities	5,467,817,050		8,835,634,100	
2. Long-term lease liabilities	14,875,871,605		-	
3. Net defined benefit liability	-		8,233,953,666	
4. Deferred tax liabilities	2,597,346,901		-	
5. Deposits received	5,955,007,277		42,525,353,857	
6. Provisions	2,482,570,293		5,820,000,000	
7. Long-term unearned revenue	15,167,175,647		16,247,860,864	
8. Other non-current liabilities	28,707,620,934		25,159,241,078	
<b>Total liabilities</b>		<b>432,912,284,537</b>		<b>390,157,945,785</b>
<b>Equity</b>				
<b>I . Capital stock</b>		<b>18,999,589,000</b>		<b>18,999,589,000</b>
1. Common capital stock	18,999,589,000		18,999,589,000	
<b>II . Capital Surplus</b>		<b>192,913,601,374</b>		<b>192,913,601,374</b>
<b>III . Retained earnings</b>		<b>1,258,110,857,566</b>		<b>1,195,791,501,211</b>
<b>IV . Other components of equity</b>		<b>(151,319,355,739)</b>		<b>(151,880,124,381)</b>
<b>Total Equity</b>		<b>1,318,704,692,201</b>		<b>1,255,824,567,204</b>
<b>Total Liabilities and Equity</b>		<b>1,751,616,976,738</b>		<b>1,645,982,512,989</b>

## 2. Income statement

43rd period From January 1, 2019 to December 31, 2019  
42nd period From January 1, 2018 to December 31, 2018  
S-1 Corporation

(Unit : KRW)

	43rd(current) period		42nd(prior) period	
I. Sales		2,120,328,700,419		1,998,320,017,805
II. Cost of sales		1,576,990,098,822		1,452,806,877,775
III. Gross profit		543,338,601,597		545,513,140,030
1. Selling and Administrative expenses	353,040,713,217		352,784,275,735	
IV. Operating rofit		190,297,888,380		192,728,864,295
1. Other non-operating income	9,784,393,010		16,916,592,256	
2. Other non-operating expense	19,354,694,300		20,547,332,554	
3. Financial income	5,851,561,941		6,011,141,270	
4. Financial cost	718,993,668		161,541,777	
V. Profit before Income tax		185,860,155,363		194,947,723,490
1. Income tax expense	44,849,012,632		93,878,144,090	
VI. Profit for the year		141,011,142,731		101,069,579,400
VII. Earnings per share				
Basic earnings per share		4,171		2,989
Diluted earnings per share		4,171		2,989

## 3. Statement of changes in equity

43rd period From January 1, 2019 to December 31, 2019  
42nd period From January 1, 2018 to December 31, 2018  
S-1 Corporation

(Unit : KRW)

	Capital stock	Paid-in capital in excess of par value	Retained earnings	Other capital items	Total
January 1, 2018 (beginning of the prior period)	18,999,589,000	192,913,601,374	1,141,256,941,507	(151,884,060,982)	1,201,286,070,899
Accounting Policy change effect	-	-	52,739,284,565	-	52,739,284,565
Adjusted capital	18,999,589,000	192,913,601,374	1,193,996,226,072	(151,884,060,982)	1,254,025,355,464
A. Total comprehensive income					
1. Net income	-	-	101,069,579,400	-	101,069,579,400
2. Other comprehensive income: Gains and loss on financial assets at fair value	-	-	-	3,936,601	3,936,601
3. Reassessment of net defined benefit liabilities (assets)	-	-	(14,748,706,761)	-	(14,748,706,761)
B. Transactions with the owner					
1. Dividends	-	-	(84,525,597,500)	-	(84,525,597,500)
December 31, 2018 (end of prior period)	18,999,589,000	192,913,601,374	1,195,791,501,211	(151,880,124,381)	1,255,824,567,204
January 1, 2019 (beginning of current period)	18,999,589,000	192,913,601,374	1,195,791,501,211	(151,880,124,381)	1,255,824,567,204
A. Total comprehensive income					
1. Net income	-	-	141,011,142,731	-	141,011,142,731
2. Other comprehensive income: Gains and loss on financial assets at fair value	-	-	-	560,768,642	560,768,642
3. Reassessment of net defined benefit liabilities (assets)	-	-	5,833,811,124	-	5,833,811,124
B. Transactions with the owner					
1. Dividends	-	-	(84,525,597,500)	-	(84,525,597,500)
December 31, 2019 (end of prior period)	18,999,589,000	192,913,601,374	1,258,110,857,566	(151,319,355,739)	1,318,704,692,201

## 4. Statement of cash flow

43rd period From January 1, 2019 to December 31, 2019  
42nd period From January 1, 2018 to December 31, 2018  
S-1 Corporation

(Unit : KRW)

	43rd(current) period		42nd(prior) period	
<b>I . Cash flow from Operating Activities</b>		<b>275,716,922,954</b>		<b>233,622,971,229</b>
1. Cash Flows created from Operating Activities	308,940,094,087		321,905,724,654	
A. Net income	141,011,142,731		101,069,579,400	
B. Adjustment	243,762,117,344		270,511,547,306	
C. Changes in assets and liabilities related to operating activities	(75,833,165,988)		(49,675,402,052)	
2. Interest received	6,631,754,979		5,160,643,686	
3. Payment of interest	(678,740,320)		-	
4. Dividend revenue	502,500,408		3,186,719,641	
5. Income tax paid	(39,678,686,200)		(96,630,116,752)	
<b>II . Cash flows from investing activities</b>		<b>(127,061,903,430)</b>		<b>(174,570,151,691)</b>
1. Increase (decrease) in financial instruments	22,085,010,020		(43,528,265,500)	
2. Profit and loss: Acquisition of financial assets at fair value	-		(2,700,000,000)	
3. Other comprehensive income: Acquisition of financial assets at fair value	(147,476,700)		(3,578,500,000)	
4. Acquisition of tangible assets	(152,186,058,028)		(129,310,941,332)	
5. Disposal of tangible assets	67,357,864		6,891,923,742	
6. Acquisition of intangible assets	(234,424,145)		(230,088,600)	
7. Disposal of intangible assets	299,160,000		-	
8. Acquisition of investments in subsidiaries	(990,000,000)		(1,041,640,000)	
9. Increase (decrease) in loans and receivables	4,044,527,559		(1,072,640,001)	
<b>III . Cash flow from financial activities</b>		<b>(102,575,840,269)</b>		<b>(84,525,597,500)</b>
1. Payment of dividends	(84,525,597,500)		(84,525,597,500)	
2. Payment of lease liabilities	(18,050,242,769)		-	
<b>IV . Net increase in cash and cash equivalents</b>		<b>46,079,179,255</b>		<b>(25,472,777,962)</b>
<b>V . Beginning cash and cash equivalents</b>		<b>123,777,368,271</b>		<b>149,250,146,233</b>
<b>VI . Ending cash and cash equivalents</b>		<b>169,856,547,526</b>		<b>123,777,368,271</b>

## 5. Statements of appropriation of retained earnings

43rd period From January 1, 2019 to December 31, 2019 Date of appropriation: March 19, 2020  
42nd period From January 1, 2018 to December 31, Final date of appropriation: March 21, 2019  
S-1 Corporation

(Unit : KRW)

	43rd(current) period		42nd(prior) period	
<b>I . Unappropriated retained earnings</b>		<b>199,656,730,451</b>		<b>207,337,374,096</b>
1. Retained earnings brought forward from the previous year	52,811,776,596		68,277,216,892	
2. Cumulative effect of changes in accounting policies	-		52,739,284,565	
3. Reassessment of the net defined benefit liabilities (assets)	5,833,811,124		(14,748,706,761)	
4. Net income	141,011,142,731		101,069,579,400	
<b>II . Appropriated retained earnings</b>		<b>154,525,597,500</b>		<b>154,525,597,500</b>
1. Voluntary reserve	70,000,000,000		70,000,000,000	
2. Dividend	84,525,597,500		84,525,597,500	
Cash dividend				
Dividend per share (rate)				
Current period: KRW2,500 (500%)				
Prior period: KRW2,500 (500%)				
<b>III . Unappropriated retained earnings carried over to subsequent year</b>		<b>45,131,132,951</b>		<b>52,811,776,596</b>

## 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>) published on March 11, 2020.

# Consolidated Financial Statements

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# 1. Consolidated statement of financial position

43rd period As of December 31, 2019  
42nd period As of December 31, 2018  
S-1 Corporation

(Unit : KRW)

	43rd(current) period		42nd(prior) period	
<b>Assets</b>				
<b>I . Current assets</b>		<b>733,183,785,854</b>		<b>661,458,369,200</b>
1. Cash and cash equivalents	200,582,005,633		147,433,369,018	
2. Short-term financial instruments	226,751,126,110		252,836,136,130	
3. Accounts receivable and other receivables	143,839,684,843		123,049,402,192	
4. Contract assets	50,023,552,356		32,744,472,801	
5. Accrued revenue	1,553,807,716		2,359,532,278	
6. Inventories	41,408,117,836		42,945,860,207	
7. Advance payments	7,790,689,155		1,495,036,583	
8. Prepaid expenses	59,130,874,141		58,354,500,588	
9. Value added tax refundable	1,823,647,393		210,575,032	
10. Other current assets	280,280,671		29,484,371	
<b>II . Non-current assets</b>		<b>1,061,775,933,156</b>		<b>1,021,395,924,928</b>
1. Long-term contract assets	3,210,559,490		2,179,596,450	
2. Long-term financial assets	6,000,000		6,000,000	
3. Other comprehensive income: Financial assets at fair value	10,270,706,202		9,383,429,182	
4. Profit and loss: Financial assets at fair value	2,555,934,693		4,205,626,086	
5. Loans and receivables	48,346,937,181		52,417,737,574	
6. Investments in Associates and Joint Ventures	2,561,155,938		-	
7. Tangible assets	470,234,331,887		459,228,549,548	
8. Intangible assets	439,926,290,340		443,261,734,060	
9. Assets used	26,734,154,620		-	
10. Long-term prepaid expenses	54,096,477,642		47,768,119,840	
11. Net defined benefit assets	784,389,983		-	
12. Deferred tax assets	3,048,995,180		2,945,132,188	
<b>Total assets</b>		<b>1,794,959,719,010</b>		<b>1,682,854,294,128</b>

	43rd(current) period		42nd(prior) period	
<b>Liabilities</b>				
<b>I . Current liabilities</b>		<b>384,081,210,878</b>		<b>306,091,321,734</b>
1. Accounts payable and other liabilities	217,488,064,044		199,836,398,468	
2. Lease liabilities	11,754,871,023		-	
3. Value added tax withheld	24,684,832,652		21,802,201,560	
4. Income tax payable	24,000,654,428		20,323,816,887	
5. Advances from customers	48,108,856,754		41,784,796,138	
6. Unearned revenue	15,930,318,822		15,667,922,711	
7. Deposits received	7,134,477,309		6,676,185,970	
8. Current portion of deposits received	34,979,135,846		-	
<b>II . Non-current liabilities</b>		<b>83,272,030,607</b>		<b>114,445,256,207</b>
1. Long-term accounts payable and other liabilities	5,467,817,050		8,835,634,100	
2. Long-term lease liabilities	15,097,078,053		-	
3. Net defined benefit liability	3,883,711,743		13,298,105,068	
4. Deferred tax liabilities	2,630,947,164		-	
5. Deposit received	5,955,007,277		42,525,353,857	
6. Provisions	2,482,570,293		5,820,000,000	
7. Long-term unearned revenue	15,167,175,647		16,247,860,864	
8. Other non-current liabilities	32,587,723,380		27,718,302,318	
<b>Total liabilities</b>		<b>467,353,241,485</b>		<b>420,536,577,941</b>
<b>Equity</b>				
<b>Controlling Company Shareholder's Equity</b>		<b>1,327,580,505,148</b>		<b>1,262,300,568,277</b>
<b>I . Capital stock</b>		<b>18,999,589,000</b>		<b>18,999,589,000</b>
1. Common capital stock	18,999,589,000		18,999,589,000	
<b>II . Capital Surplus</b>		<b>192,913,601,374</b>		<b>192,913,601,374</b>
<b>III . Retained earnings</b>		<b>1,267,598,907,044</b>		<b>1,203,001,155,778</b>
<b>IV . Other components of Equity</b>		<b>(151,931,592,270)</b>		<b>(152,613,777,875)</b>
<b>Non-controlling Interests</b>		<b>25,972,377</b>		<b>17,147,910</b>
<b>Total Equity</b>		<b>1,327,606,477,525</b>		<b>1,262,317,716,187</b>
<b>Total Liabilities and Equity</b>		<b>1,794,959,719,010</b>		<b>1,682,854,294,128</b>

(Unit : KRW)

## 2. Consolidated income statement

43rd period From January 1, 2019 to December 31, 2019  
42nd period From January 1, 2018 to December 31, 2018  
S-1 Corporation

(Unit : KRW)

	43rd(current) period		42nd(prior) period	
I. Sales		2,151,521,516,402		2,018,339,270,821
II. Cost of sales		1,607,782,232,754		1,471,226,712,524
III. Gross profit		543,739,283,648		547,112,558,297
1. Selling and Administrative Expenses	346,917,276,995		347,984,428,593	
IV. Operating profit		196,822,006,653		199,128,129,704
1. Other non-operating income	9,805,450,817		14,182,508,353	
2. Other non-operating expenses	19,596,961,213		20,826,258,138	
3. Financial income	6,282,757,394		6,274,287,156	
4. Financial cost	859,243,791		196,747,992	
V. Profit before Income tax		192,454,009,860		198,561,919,083
1. Income tax expense	45,812,728,323		95,593,144,489	
VI. Profit for the year		146,641,281,537		102,968,774,594
Controlling Company Shareholder's Equity		146,642,457,070		102,970,863,585
Non-controlling Interests		(1,175,533)		(2,088,991)
VII. Gain and loss per share of the controlling company Shareholder's equity				
Basic earnings per share		4,337		3,046
Diluted earnings per share		4,337		3,046

## 3. Consolidated statement of changes in equity

43rd period From January 1, 2019 to December 31, 2019  
42nd period From January 1, 2018 to December 31, 2018  
S-1 Corporation

(Unit : KRW)

	Owners' equity					Non-controlling interests	total
	Capital stock	Paid-in capital in excess of par value	Retained earnings	Other capital items	Owners' equity		
January 1, 2018 (beginning of the prior 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
Accounting Policy change effect	-	-	52,739,284,565	-	52,739,284,565	-	52,739,284,565
Adjusted capital	18,999,589,000	192,913,601,374	1,201,260,813,488	(152,606,253,324)	1,260,567,750,538	9,036,901	1,260,576,787,439
A. Total comprehensive income							
1. Net income	-	-	102,970,863,585	-	102,970,863,585	(2,088,991)	102,968,774,594
2. Other comprehensive income: Gains and loss on financial assets at fair value	-	-	-	3,936,601	3,936,601	-	3,936,601
3. Reassessment of net defined benefit liabilities (assets)	-	-	(16,704,923,795)	-	(16,704,923,795)	-	(16,704,923,795)
4. Overseas business profit/loss on foreign exchange	-	-	-	(11,461,152)	(11,461,152)	-	(11,461,152)
B. Transactions with the owner							
1. Dividends	-	-	(84,525,597,500)	-	(84,525,597,500)	-	(84,525,597,500)
2. Acquisition of investments in subsidiaries	-	-	-	-	-	10,200,000	10,200,000
December 31, 2018 (end of prior period)	18,999,589,000	192,913,601,374	1,203,001,155,778	(152,613,777,875)	1,262,300,568,277	17,147,910	1,262,317,716,187
January 1, 2019 (beginning of current period)	18,999,589,000	192,913,601,374	1,203,001,155,778	(152,613,777,875)	1,262,300,568,277	17,147,910	1,262,317,716,187
A. Total comprehensive income							
1. Net income	-	-	146,642,457,070	-	146,642,457,070	(1,175,533)	146,641,281,537
2. Other comprehensive income: Gains and loss on financial assets at fair value	-	-	-	560,768,642	560,768,642	-	560,768,642
3. Reassessment of net defined benefit liabilities (assets)	-	-	2,480,891,696	-	2,480,891,696	-	2,480,891,696
4. Overseas profit/loss on foreign exchange	-	-	-	121,416,963	121,416,963	-	121,416,963
B. Transactions with the owner							
1. Dividends	-	-	(84,525,597,500)	-	(84,525,597,500)	-	(84,525,597,500)
2. Acquisition of investments in subsidiaries	-	-	-	-	-	10,000,000	10,000,000
December 31, 2019 (end of prior period)	18,999,589,000	192,913,601,374	1,267,598,907,044	(151,931,592,270)	1,327,580,505,148	25,972,377	1,327,606,477,525

## 4. Consolidated statement of cash flow

43rd period As of December 31, 2019  
42nd period As of December 31, 2018  
S-1 Corporation

(Unit : KRW)

	43rd(current) period		42nd(prior) period	
<b>I . Cash Flows from Operating Activities</b>		<b>279,831,501,105</b>		<b>236,971,524,260</b>
1. Operating cash flow	314,134,346,052		329,496,192,082	
A. Net income	146,641,281,537		102,968,774,594	
B. Adjustments	251,792,833,713		282,095,163,870	
C. Increase (decrease) in assets and liabilities related to operating activities	(84,299,769,198)		(55,567,746,382)	
2. Payment of lease liabilities	6,976,520,555		5,443,385,236	
3. Interest received	(694,357,610)		-	
4. Dividend revenue	502,500,408		186,659,641	
5. Income tax paid	(41,087,508,300)		(98,154,712,699)	
<b>II . Cash flows from investing activities</b>		<b>(123,591,644,604)</b>		<b>(176,158,462,216)</b>
1. Increase (decrease) in financial instruments	26,085,010,020		(44,428,265,500)	
2. Other comprehensive income: Acquisition of financial assets at fair value	(147,476,700)		(3,578,500,000)	
3. Profit and loss: Acquisition of financial assets at fair value	(1,050,308,607)		(3,679,462,267)	
4. Acquisition of tangible assets	(152,771,779,597)		(129,959,533,373)	
5. Disposal of tangible assets	67,698,866		6,892,143,106	
6. Acquisition of intangible assets	(515,476,145)		(372,204,181)	
7. Disposal of intangible assets	669,160,000		-	
8. Increase (decrease) in loans and receivables	4,071,527,559		(1,032,640,001)	

(Unit : KRW)

	43rd(current) period		42nd(prior) period	
<b>III . Cash flow from financial activities</b>		<b>(103,151,369,579)</b>		<b>(84,515,397,500)</b>
1. Payment of dividends	(84,525,597,500)		(84,525,597,500)	
2. Payment of lease liabilities	(18,635,772,079)		-	
3. Acquisition of investments in subsidiaries	10,000,000		10,200,000	
<b>IV . Profit/loss on foreign exchange of cash flow</b>		<b>60,149,693</b>		<b>21,407,274</b>
<b>V . Net increase in cash and cash equivalents ( I +II +III +IV)</b>		<b>53,148,636,615</b>		<b>(23,680,928,182)</b>
<b>VI . Beginning cash and cash equivalents</b>		<b>147,433,369,018</b>		<b>171,114,297,200</b>
<b>VII . Ending cash and cash equivalents</b>		<b>200,582,005,633</b>		<b>147,433,369,018</b>

## 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>) published on March 11, 2020.

## Resolution of Board of Directors

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### Resolution of the Board of Directors

By a resolution of the Board of Directors, the financial statements and annual report of the 43rd period (January 1, 2019 ~ December 31, 2019) are submitted as described above

January 31, 2020

**S-1 Corporation**

CEO Yook Hyun-pyo

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

# Audit Report

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## 1. Auditor's report

The auditors audited the accounting and business of the 43rd business year(from January 1, 2019 until December 31, 2019), and report the following:

### 1) Outline of the auditing method

The auditors perused accounting books and related documents for auditing, and reviewed the financial statements, 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 followed the appropriate auditing procedure.

If deemed necessary the auditors attended BOD meetings and other important meetings, the auditors received business reports from directors, and inspected and reviewed documents related to important businesses. In their perusal they used appropriate methods. The auditors received and reviewed a report on the operating status of the internal accounting management system, which was instituted to prepare and disclose reliable accounting data.

### 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 the 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 17, 2020

S-1 Corporation

Auditor Kim Yoon-hwan

Auditor Takakura Kenshu

## 2. Independent auditors' report on financial statements

### S-1 Corporation

#### To shareholders and the Board of Directors

#### Our opinion

We audited the financial statements of S-1 Corporation (hereinafter referred to as the "Company"). The financial statements consist of the statement of financial position as of December 31, 2019 and December 31, 2018, as well as the income statement, comprehensive income statement, statement of changes in equity, statement of cash flow of the two reporting periods ending on the same dates, and the notes to the financial statements including the summary of significant accounting policies.

In our opinion, the financial statements of S-1 Corporation impartially reflect the financial position of S-1 Corporation as of December 31, 2019 and December 31, 2018, 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.

#### Basis for audit opinion

We audited according to Korean auditing standards. Our responsibility according to these standards is described in the paragraph concerning the auditors' responsibility for the financial statements in this audit report. We are independent from the company according to the ethical requirements of Korea related to the auditing of the financial statements, and we fulfilled other ethical responsibilities according to these requirements. We believe that the auditing evidence we obtained is sufficient and appropriate as the basis for the audit opinion.

#### Key audit matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

#### Assessing the goodwill impairment of the building management division

##### Reasons for determination as key audit matters

As mentioned in Note 14, the goodwill of the building management division in cash-generating units was KRW328,093 million as of December 31, 2019. Considering that the assessment of the materiality of the goodwill amount and damage is accompanied by the management's significant judgment and estimation, we decided that goodwill damage assessment is a key audit matter.

#### How we handled key audit matters during auditing

The key auditing procedure we followed in regard to assessment of damage to goodwill is as follows:

- Evaluating eligibility and independence by checking the working experience, qualifications and interests of the external experts that the company used
- Reviewing the rationality of the assumption applied during the review of damage through the communication between the company's insiders and external experts
- Using auditors, i.e. internal experts, to review the variables applied to the method of measuring recoverable amounts and evaluation model that were used in the external evaluation report
- Using observable information to compare the independently calculated discount rate with the discount rate that the management applied
- Recalculating and verifying the accuracy of the calculations in the goodwill damage assessment report

#### Management and governing body's responsibilities for the financial statements

Management is responsible for impartially preparing and presenting financial statements according to 'Korean equivalents of International Financial Reporting Standards' (K-IFRS) as well as the internal controls internally determined to be necessary for preparing the financial statements without any material distortion caused by error or fraud.

When preparing the financial statements, management is responsible for evaluating the company's ability to continue to exist as a going concern, and if applicable, disclosing matters related to the going concern. As long as management does not have any intention of liquidating the company or ceasing operations, management is also responsible for using the going concern's accounting methods.

The governing body is responsible for auditing the financial reporting procedure of the company.

#### Auditors' responsibility for the auditing of the financial statements

Our purpose is to gain reasonable confidence concerning the absence of material distortions due to fraud or errors in the company's financial statements, and publish an audit report including our opinions. Reasonable confidence means a high level of confidence, but does not guarantee that the audit conducted according to the auditing standards will always discover material distortion. Distortion may be caused by fraud or errors, and if it is reasonably expected that distortions will affect the economic decision making of stakeholders based on the financial statements individually or collectively, such distortions will be regarded as material.

As part of auditing according to the auditing standards, we are making professional judgment throughout the auditing process, and maintain professional skepticism. Also,

- We identify and assess the risk of a material misstatement of the financial statements due to fraud or errors, and design and conduct the auditing procedure in response to such a risk. And we obtain sufficient and adequate audit evidence as grounds for our audit opinion. As fraud may involve collusion, forgery, intentional omission, a false statement or neutralization of internal control, the risk of not discovering a material misstatement due to fraud is greater than the risk due to an error.
- We understand internal control related to auditing to design the auditing procedure appropriate for the

situation. But it is not for expressing an opinion on the effectiveness of internal control.

- We assess the adequacy of the accounting policy that the management applied to prepare the financial statements, and the rationality of the disclosure related to the accounting estimates derived by the management.
- If we make a conclusion about whether there is material uncertainty related to accidents or situations likely to cause significant skepticism about the adequacy of the going concern assumption of accounting, which was used by the management, and the ability to continue as a going concern based on the obtained audit evidence. If we conclude that there is material uncertainty, we call attention to the audit report in regard to the related disclosure of the financial statements, and if the disclosure is inadequate, we are required to change our opinion. Our conclusion is based on the audit evidence we obtained by the audit report date, but a future accident or situation may stop the Company's continuation as a going concern.
- We evaluate the overall representation, structure and contents of the financial statements including disclosures, and evaluate whether the financial statements are impartially representing the transactions and accidents on which the financial statements are based.

We communicate with the governing body about the significant findings of the audit such as the planned scope and timing of auditing and significant inadequacies of internal control, identified during the audit.

Also, we comply with the ethical requirements related to independence, and we provide the governing body with a statement that we communicate with the governing body about all relations, thought to be related to the issue of our independence, other matters and related institutional safety devices, if applicable.

We selected the most significant matters among the matters we communicated about with the governing body as key audit matters. Unless laws exclude their public disclosure, or in an extremely rare case, we conclude that they should not be communicated in the audit report as the negative results of our describing them in the audit report are reasonably expected to exceed the public benefits of communicating them, we describe them in the audit report.

The executive officer who conducted the audit that served as the basis for this audit report is Oh Jae-yeong.

Ernst & Young Korea, 111, Yoeuigongwon-ro, Yeongdeungpo-gu, Seoul

CEO Park Yong-geun



March 11, 2020

This audit report is valid as of the audit report date. Accordingly, it is likely that incidents or situations may occur that may seriously affect the attached financial statements of the company between the audit report date and perusal of this report, and as a result this audit report may be modified.

## 3. Independent auditors' report on consolidated financial statements

### S-1 Corporation

#### To shareholders and the Board of Directors

#### Our opinion

We audited the consolidated financial statements of S-1 Corporation and its subsidiary companies (hereinafter referred to as "consolidated companies"). The financial statements consist of the consolidated statement of financial position as of December 31, 2019 and December 31, 2018, and the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity, and consolidated statement of cash flow of the two reporting periods ending on the same dates, and the notes to the consolidated financial statements including the summary of significant accounting policies.

In our opinion, the consolidated financial statements of S-1 Corporation impartially reflect the consolidated financial position of S-1 Corporation as of December 31, 2019 and December 31, 2018, and the consolidated financial performance and consolidated cash flow of S-1 Corporation ending on the same dates according to K-IFRS from the viewpoint of materiality.

#### Basis for audit opinion

We audited according to Korean auditing standards. Our responsibility according to these standards is described in the paragraph concerning the auditors' responsibility for the consolidated financial statements in this audit report. We are independent from the company according to the ethical requirements of Korea related to the auditing of the consolidated financial statements, and we fulfilled other ethical responsibilities according to these requirements. We believe that the auditing evidence we obtained is sufficient and appropriate as the basis for the audit opinion.

#### Key audit matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

#### Assessing the goodwill impairment of the building management division

##### Reasons for selecting the key audit matters

As mentioned in Note 14, the goodwill of the building management division in cash-generating units is KRW328,093 million as of December 31, 2019. Considering that the assessment of the materiality of the goodwill amount and damage is accompanied by the management's significant judgment and estimation, we decided that goodwill damage assessment is a key audit matter.

##### How we handled key audit matters in our audits

The key auditing procedure we followed in regard to assessment of damage to goodwill is as follows:

- Evaluating eligibility and independence by checking the working experience, qualifications and interests of the external experts that the company used
- Reviewing the rationality of the assumption applied during the review of damage through the communication between the company's insiders and external experts
- Using auditors, i.e. internal experts, to review the variables applied to the method of measuring recoverable amounts and evaluation model that were used in the external evaluation report
- Using observable information to compare the independently calculated discount rate with the discount rate that the management applied
- Recalculating and verifying the accuracy of the calculations in the goodwill damage assessment report

### The management and governing body's responsibility for the consolidated financial statements

The management is responsible for preparing and presenting the consolidated financial statements impartially according to Korean equivalents of International Financial Reporting Standards (K-IFRS) as well as the internal controls internally determined to be necessary for preparing the consolidated financial statements without any material distortion caused by fraud or errors.

When preparing the consolidated financial statements, management is responsible for evaluating the company's ability to continue to exist as a going concern, and if applicable, disclosing matters related to the going concern. As long as management does not have any intention of liquidating the company or ceasing operations, management is also responsible for using the going concern assumption of accounting.

The governing body is responsible for auditing the financial reporting procedure of the company.

### Auditors' responsibility for the auditing of the consolidated financial statements

Our purpose is to gain reasonable confidence concerning the absence of material distortions due to fraud or errors in the consolidated companies' consolidated financial statements, and publish an audit report including our opinions. Reasonable confidence means a high level of confidence, but does not guarantee that the audit conducted according to the auditing standards will always discover material distortion. Distortion may be caused by fraud or errors, and if it is reasonably expected that distortions will affect the economic decision making of stakeholders based on the consolidated financial statements individually or collectively, such distortions will be regarded as material.

As part of auditing according to the auditing standards, we are making professional judgment throughout the auditing process, and maintain professional skepticism. Also,

- We identify and assess the risk of a material misstatement of the consolidated financial statements due to fraud or errors, and design and conduct the auditing procedure in response to such a risk. And we obtain sufficient and adequate audit evidence as grounds for our audit opinion. As fraud may involve collusion, forgery, intentional omission, a false statement or neutralization of internal control, the risk of not discovering a material misstatement due to fraud is greater than the risk due to an error.
- We understand internal control related to auditing to design the auditing procedure appropriate for the situation. But it is not for expressing an opinion on the effectiveness of internal control.
- We assess the adequacy of the accounting policy that the management applied to prepare the financial statements, and the rationality of the disclosure related to the accounting estimates derived by the management.

- If we make a conclusion about whether there is material uncertainty related to accidents or situations likely to cause significant skepticism about the adequacy of the going concern assumption of accounting, which was used by the management, and the ability to continue as a going concern based on the obtained audit evidence. If we conclude that there is material uncertainty, we call attention to the audit report in regard to the related disclosure of the consolidated financial statements, and if the disclosure is inadequate, we are required to change our opinion. Our conclusion is based on the audit evidence we obtained by the audit report date, but a future accident or situation may stop the consolidated companies' continuation as a going concern.
- We evaluate the overall representation, structure and contents of the consolidated financial statements including disclosures, and evaluate whether the financial statements are impartially representing the transactions and accidents on which the consolidated financial statements are based.
- To express our opinion on the consolidated financial statements, we obtain sufficient and adequate audit evidence related to the financial information of the company or the business activities in the group. We are responsible for directing; supervising and performing the group audit, and take full responsibility for the audit opinion.

We communicate with the governing body about the significant findings of the audit, such as the planned scope and timing of auditing and significant inadequacies of internal control, identified during the audit.

Also, we comply with the ethical requirements related to independence, and we provide the governing body with a statement that we communicate with the governing body about all relations, thought to be related to the issue of our independence, other matters and related institutional safety devices, if applicable.

We selected the most significant matters among the matters in the audit of the consolidated financial statements, which we communicated about with the governing body, as key audit matters. Unless laws exclude their public disclosure, or in an extremely rare case, we conclude that they should not be communicated in the audit report as the negative results of our describing them in the audit report are reasonably expected to exceed the public benefits of communicating them, we describe them in the audit report.

The executive officer who conducted the audit that served as the basis for this audit report is Oh Jae-yeong.

Ernst & Young Korea, 111, Yeouigongwon-ro, Yeongdeungpo-gu, Seoul

CEO Park Yong-geun



March 11, 2020

This audit report is valid as of the audit report date. Accordingly, it is likely that incidents or situations may occur that may seriously affect the attached financial statements of the company between the audit report date and perusal of this report, and as a result this audit report may be modified.

## CEO and internal accounting manager's report on the operating status

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### CEO and internal accounting manager's report on the operating status

#### To the shareholders, board of directors, and auditors of S-1 shareholders

The CEO and the internal accounting manager evaluated the design and operating status of our internal accounting management system for the fiscal year ending on December 31, 2019.

The management of the company, including the CEO and the internal accounting manager, is responsible for the design and operation of the internal accounting management system.

To prepare and disclose reliable financial statements, the CEO and internal accounting manager both evaluated whether the company's internal accounting system was effectively designed and operated so as to prevent and find errors or illegalities that may cause distortions in the financial statements.

The CEO and the internal accounting manager used the (former) internal accounting management system standards to evaluate the design and operating status of the internal accounting management system.

As of December 31, 2019, as a result of the evaluation of the operating status of the internal accounting management system conducted by the CEO and internal accounting manager based on the (former) internal accounting management system standards, it is believed that our internal accounting management system was designed and is operated effectively from the viewpoint of materiality.

The CEO and the internal accounting manager confirmed that the report does not include any false descriptions or statements, and anything that must be described or stated is not omitted.

Additionally, the CEO and internal accounting manager confirmed that nothing likely to cause a serious misunderstanding of the report was described or stated, and read the report with due care and directly checked and reviewed the contents of the report.

January 31, 2020

S-1 Corporation

CEO Yook Hyun-pyo

Internal accounting manager Park Joon-seong