

Security company specializing in human security with focus on facility security

This report is an English translation of part of the report issued on January 20, 2023.
For inquiries concerning the report, please contact info@stock-r.org

[7058 Kyoei Security Service Sector : Services]

| Fiscal Year | | Net sales | YoY | Operating profit | YoY | Ordinary profit | YoY | Profit | YoY | EPS | BPS | DPS |
|-------------|----|-----------|------|------------------|-------|-----------------|-------|----------|-------|-------|---------|-------|
| | | (mn yen) | (%) | (mn yen) | (%) | (mn yen) | (%) | (mn yen) | (%) | (yen) | (yen) | (yen) |
| Mar. 2021 | | 6,184 | -3.6 | 329 | -26.2 | 419 | -15.5 | 274 | -15.5 | 183.7 | 2,578.3 | 80.0 |
| Mar. 2022 | | 7,997 | 29.3 | 971 | 195.2 | 1,052 | 150.8 | 736 | 167.8 | 508.6 | 3,004.4 | 150.0 |
| Mar. 2023 | CE | 7,450 | -6.8 | 540 | -44.3 | 534 | -49.2 | 350 | -52.5 | 241.7 | - | 90.0 |
| Mar. 2023 | E | 7,512 | -6.1 | 545 | -43.8 | 576 | -45.2 | 413 | -43.9 | 285.0 | 3,139.4 | 90.0 |
| Mar. 2024 | E | 8,256 | 9.9 | 655 | 20.2 | 682 | 18.3 | 447 | 8.4 | 308.5 | 3,358.4 | 100.0 |
| Mar. 2025 | E | 9,028 | 9.3 | 772 | 17.9 | 800 | 17.2 | 524 | 17.2 | 361.7 | 3,620.6 | 110.0 |

Note: CE(company expectations),E(Stock Research Center expectations)
Source: Stock Research Center

1. Corporate Overview

Kyoei Security Service is a security company specializing in human security that requires security guards such as facility security, crowd control and traffic guidance security.

2. Financial Analysis

Except for fiscal year ended March 2021, which was affected by the COVID-19 pandemic, the company has recorded increases in revenue from fiscal year ended March 2014 to fiscal year ended March 2022 and the average annual growth rate was 8.8%. Except for fiscal year ended March 2016, when expenses increased in preparation for listing, and fiscal year ended March 2021, when revenue decreased, the company recorded increases in profit, and the average annual growth rate of ordinary profit was 25.6%.

ROE in the most recent fiscal year greatly exceeded that of other companies. Since this is due to the contribution of temporary contract projects, it is better to keep it as a reference only. In the general period, the company's ROE is slightly below that of major companies. On the other hand, it has an advantage in safety indicators over other companies.

3. Non-Financial Analysis

The source of the company's intellectual capital lies in its system of hiring and training security guards. Through various measures that involve improving the quality of security guards, the company has become a security company with a younger average age structure and a higher ratio of female employees than the industry averages. This contributed to the acquisition of facility security projects and expansion to a wider area as well as resulting in the acquisition of new customers and projects.

4. Corporate Strategy Analysis

Issues that should be addressed include securing and retaining security guards and appropriately managing the integration process after M&A, which the company is actively pursuing.

In order to solve issues such as downward price pressure and competition for human resources, Kyoei Security Service has placed the construction of a collaborative platform with other companies in the same industry as the basis of its long-term growth strategy. Scale expansion is essential to take initiatives on the platform and it plans to utilize M&A in addition to organic growth.

5. Analyst Evaluation

We appreciate the fact that the company has continued to expand its scale while maintaining the security quality that it has pursued as a differentiating factor.

Since it is necessary to continue to maintain security quality while expanding its scale for long-term growth, we will closely monitor the pace of expansion of the number of security guards and the amount of resident contracts.

About Stock Research Center

Stock Research Center is engaged in the preparation of analyst reports, mainly on companies that are not sufficiently covered by analysts, based on a neutral perspective, and broadly disclose the reports to the public with an aim to revitalize the stock market.

Note: Reports prepared by Stock Research Center are created in reference to the Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation.



■ Supporting Members

| | | |
|--|-------------------------------------|--------------------------------------|
| Tokyo Stock Exchange, Inc. | SMBC Nikko Securities Inc. | Daiwa Securities Co. Ltd. |
| Nomura Securities Co., Ltd. | Mizuho Securities Co., Ltd. | Ernst & Young ShinNihon LLC |
| KPMG AZSA LLC | ICMG Co., Ltd. | Grant Thornton Taiyo LLC |
| Deloitte Touche Tohmatsu LLC | SBI SECURITIES Co., Ltd. | BDO Sanyu |
| PricewaterhouseCoopers Kyoto | J Trust Global Securities Co., Ltd. | Ichiyoshi Securities Co., Ltd. |
| A&A Partners | GYOSEI & CO. | Avantia G.P. |
| TAKARA PRINTING CO., LTD. | PRONEXUS INC. | Japan Securities Dealers Association |
| The Securities Analysts Association of Japan | | |

Certification by Analysts

Analysts indicated in the reports certify that the content indicated in the report precisely reflects the personal opinions of the analysts on all securities and issuer companies discussed in the report. In addition, it is ensured that the opinions directly or indirectly indicated in the report will have no influence on the analyst's compensation in the past, present, and future upon writing the report.

Disclaimer

- The report is prepared by stock analysts affiliated with the Stock Research Center for the purpose of disclosure to a wide range of investors as reference information and not to recommend or solicit to buy or to sell any particular securities or financial instrument.
- The content and indication of the report is based on disclosed information available publicly and is prepared by adding necessary supplementary information gained through interviews by analysts. The writer of the report is, without exception, prohibited to use insider information, or to acquire such information. The information included in the report is believed to be precise and reliable, but its preciseness is not verified objectively. In addition, the report is not intended to comprehensively include all information required by investors.
- The information included in the report may become outdated due to changes in the financial market, economic environment, etc. There are risks that the prices of stocks featured directly or indirectly in the report will fall below the par value due to fluctuations in stock prices, changes in management/financial conditions of the issuers, fluctuations in exchange rates or interest rates, etc. Past performance does not imply or guarantee future performance.
- The opinions indicated in the report are subject to change without notice and the Stock Research Center has no obligation to update the information or opinions included in the report.
- The Stock Research Center does not bear any responsibility for any results, including direct losses, indirect losses, losses of profit and damages, suffered by investors due to using the report or relying on the report. Final investment decisions shall be made by investors themselves and the sole responsibility concerning the investment lies with the investors that viewed the report.
- The copyright of the report belongs to the Stock Research Center and it may not be copied, reproduced, quoted, etc. in any form without prior consent.