LG CORP.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

ATTACHMENT: INDEPENDENT AUDITOR'S REPORT

LG CORP.

Deloitte.

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Independent Auditor's Report

English Translation of Independent Auditor's Report Originally Issued in Korean on March 21, 2023.

To the Shareholders and the Board of Directors of LG Corp.:

Report on Audited Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of LG Corp. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, respectively, and the related consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, all expressed in Korean won, for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and 2021, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

(1) The change in the estimate of total contract cost

As noted in Note 18 of the consolidated financial statements, changes in the estimate of total contract costs for contracts that recognize revenue over time using the cost-based input method may affect current and future profit or loss, contract assets and contract liabilities and total contract costs are estimated on the basis of future estimates, such as labor costs, material costs and project periods. Estimating the total cost of a contract requires expert knowledge of the cost design and is deemed to involve the risk that the cost change according to project progress will not be reflected in the total cost in a timely manner. Therefore, we decided to make the item a key audit matter considering the effect of the change in the estimate of total contract cost on profit or loss and future profit or loss.

At the end of the current period, we reviewed the following audit procedures and performance results performed by an independent auditor of the LGCNS (the "Component auditor") to obtain audit evidence that is sufficient and appropriate for purpose of auditing consolidated financial statements in relation to the change in the estimate of the Group's total contract cost:

- Understanding the revenue recognition accounting policy and internal controls
- The test of internal controls, such as management review and approval of total contract cost estimation and changes
- Verification of accuracy of total contract cost reflection when calculating the percentage of completion
- Recalculation verification of the percentage of completion
- Retrospective review of projects with significant changes in total contract costs during the current period
- Review of projects whose total contract costs have significantly changed since the end of the reporting period

(2) Impairment assessment of investments in associates

As noted in Note 3 (key sources of estimation uncertainty), the Group is considering the impairment to the investment of associates at the end of the reporting period, and the recoverable amount is based on the higher value of use or net fair value. This calculation is based on estimation, and if the recoverable amount is less than the carrying amount, the impairment loss is recognized.

The Group's management determined that there were signs of asset impairment in the business plan of ZKW Holding GmbH and ZKW Australia Immobilien Holding GmbH classified as investment in associates, and evaluated the impairment in accordance with K-IFRS 1036.

At the end of the reporting period, the carrying amounts of the shares for ZKW Holding GmbH and ZKW Australia Immobilien Holding GmbH are ₩119,818 million and ₩10,201 million, respectively. An impairment loss was recognized in the prior period, and we determined this matter to be key audit matters considering that the carrying amounts of investments in associates were significant and that the Group's impairment assessment was accompanied by significant management's judgment.

The major audit procedures we have conducted in relation to the key audit matters are as follows:

- Understanding and assessment of the Group's accounting policies and internal controls related to impairment assessment of investment assets
- Review management's assessment of the existence of any impairment signs of investment in associates held by the Group
- Evaluate the objectivity and eligibility of external experts used by the Group's management in impairment assessment
- Using independent internal experts from auditors, ask about the methodology and key significant assumptions (future cash flows, discount rate, etc.) of the valuation model applied by the Group to understand and review its adequacy
- Retrospective review of ZKW's business plan used for impairment assessment during prior period
- Check the sensitivity analysis of the impairment test presented by the management

Deloitte.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRSs, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management of the Group is responsible for assessing the Group's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going-concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative, but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audits. We are solely responsible for our audit opinion.

We will communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audits of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kiu-Seok Seo.

Deloitte Anjin LLC

March 21, 2023

Notice to Readers

This report is effective as of March 21, 2023, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditor's report.

LG CORP.
AND ITS SUBSIDIARIES (the "Group")

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the management of the Group.

Bong-Seok Kwon
President and Chief Operating Officer
LG Corp.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	Korean won	
	December 31, 2022	December 31, 2021
	(In millions)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 5, 6, 27 and 34)	₩ 1,050,726	₩ 1,132,504
Financial institution deposits (Notes 5, 27, 31 and 34)	1,884,365	1,809,436
Current derivative assets (Notes 5, 27 and 34)	11,442	2,259
Trade receivables, net (Notes 5, 7, 27, 30 and 34)	1,413,798	1,133,381
Other receivables, net (Notes 5, 7, 27, 30 and 34)	108,615	99,809
Current tax assets (Note 28)	4,484	3,683
Other current assets (Notes 9 and 18)	551,758	423,945
Inventories, net (Note 8)	58,204	54,019
Assets held for sale (Notes 4 and 10)	-	888,898
Total current assets	5,083,392	5,547,934
NON-CURRENT ASSETS:		
Non-current financial institution deposits (Notes 5, 27, 31 and 34)	348,904	12,011
Other financial assets (Notes 5, 27 and 34)	280,872	240,556
Derivative assets (Notes 5 and 27)	9,878	-
Non-current trade receivables, net (Notes 5, 7, 27, 30 and 34)	13,058	14,462
Non-current other receivables, net (Notes 5, 7, 27, 30, 31 and 34)	17,355	7,832
Investments in associates (Note 13)	20,687,663	16,681,697
Deferred tax assets, net (Note 28)	171,746	173,037
Non-current other assets (Notes 9 and 16)	15,454	3,212
Property, plant and equipment, net (Notes 10, 30 and 37)	1,524,353	1,508,820
Investment property, net (Note 11)	1,292,194	1,295,967
Intangible assets (Note 12)	151,088	159,691
Right-of-use assets (Note 32)	37,720	24,577
Total non-current assets	24,550,285	20,121,862
TOTAL ASSETS	₩ 29,633,677	₩ 25,669,796

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021 (CONTINUED)

	Korean won	
	December 31, 2022	December 31, 2021
	(In millions)	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current derivative liabilities (Notes 5, 27 and 34)	₩ 1,810	₩ 2,564
Trade payables (Notes 5, 27, 30 and 34)	753,442	659,653
Other payables (Notes 5, 27, 30 and 34)	457,535	562,794
Short-term borrowings (Notes 5, 14, 27, 34 and 38)	289,303	41,453
Current portion of long-term borrowings (Notes 5, 14, 27, 34 and 38)	371,439	221,542
Current tax liabilities (Note 28)	182,437	132,993
Current provisions (Note 15)	42,860	30,706
Other current liabilities (Notes 17 and 18)	412,329	378,141
Current lease liabilities (Notes 5, 27, 32, 34 and 38)	13,230	25,766
Liabilities held for sale (Note 36)	-	763,661
Total current liabilities	2,524,385	2,819,273
NON-CURRENT LIABILITIES:		
Non-current derivative liabilities (Notes 5, 27 and 34)	-	38,982
Other non-current payables (Notes 5, 27, 30 and 34)	27,730	21,424
Long-term borrowings (Notes 5, 14, 27, 34 and 38)	150,094	521,038
Net defined benefit liability (Note 16)	2,298	6,636
Deferred tax liability (Note 28)	623,097	284,338
Provisions (Note 15)	14,762	2,826
Other non-current liabilities (Note 17)	22,473	22,300
Non-current lease liabilities (Notes 5, 27, 32, 34 and 38)	34,652	12,758
Total non-current liabilities	875,106	910,302
TOTAL LIABILITIES	3,399,491	3,729,575
EQUITY:		
Equity attributable to the owners of the parent company:	25,452,355	21,246,547
Issued capital (Note 19)	801,613	801,613
Capital surplus (Note 20)	2,967,691	2,969,304
Other capital items (Note 19)	(1,733,103)	(1,565,341)
Accumulated other comprehensive income (Note 21)	2,795,606	149,557
Retained earnings (Note 22)	20,620,548	18,891,414
Non-controlling interests	781,831	693,674
TOTAL EQUITY	26,234,186	21,940,221
TOTAL LIABILITIES AND EQUITY	₩ 29,633,677	₩ 25,669,796

(Concluded)

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Korean won			
	Year ended December 31, 2022		Year ended December 31, 2021	
	(In millions)			
Revenue and gain on valuation by equity method (Notes 4 and 23):				
Sales of finished goods and merchandise	₩	1,005,453	₩	817,788
Service revenue		2,238,380		1,840,648
Construction revenue		2,040,906		1,714,516
Gain on valuation by equity method		1,302,911		1,947,269
Other revenue		598,337		538,789
		7,185,987		6,859,010
Cost of sales (Notes 23 and 24)		4,853,189		4,065,447
Gross profit		2,332,798		2,793,563
Selling and administrative expenses (Notes 23 and 24)		391,418		333,459
Operating income		1,941,380		2,460,104
Financial income (Note 25)		125,305		43,819
Financial expenses (Note 25)		28,021		27,157
Other non-operating income (Note 26)		89,116		151,629
Other non-operating expenses (Note 26)		82,162		237,410
Profit before income tax expense from continuing operations		2,045,618		2,390,985
Income tax expense for continuing operations (Note 28)		527,083		209,251
Profit from continuing operations		1,518,535		2,181,734
Profit from discontinued operations (Note 37)		597,215		502,240
Profit for the year	₩	2,115,750	₩	2,683,974
Profit for the year attributable to:				
Owners of the parent company	₩	1,979,569	₩	2,565,453
Non-controlling interests		136,181		118,521
Earnings per share (in Korean won):				
Continuing and discontinued operations:				
Common stock - basic/diluted (Note 29)	₩	12,422	₩	15,504
Pre-1996 Commercial Law Amendment Preferred Stock - basic/diluted (Note 29)		12,472		15,554
Continuing operations:				
Common stock - basic/diluted (Note 29)	₩	8,674	₩	12,469
Pre-1996 Commercial Law Amendment Preferred Stock - basic/diluted (Note 29)		8,724		12,519

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Korean won			
	Year ended December 31, 2022		Year ended December 31, 2021	
	(In millions)			
Profit for the year	₩	2,115,750	₩	2,683,974
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss:				
Net gain on changes in valuation of investments using equity method		2,650,077		522,546
Overseas operations translation		(18,690)		5,293
Items that will not be reclassified subsequently to profit or loss:				
Net loss on other financial assets		8,056		(7,282)
Remeasurement of net defined benefit liability		8,568		(7,936)
Increase (decrease) in retained earnings of equity method investments		200,299		(6,989)
Total comprehensive income for the year	₩	4,964,060	₩	3,189,606
Total comprehensive income attributable to:				
Owners of the parent company	₩	4,827,867	₩	3,064,754
Non-controlling interests		136,193		124,852

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Korean won						
	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interests	Total
				(In millions)			
Balance as of January 1, 2021	₩ 879,359	₩ 2,964,730	₩ (2,385)	₩ (365,812)	₩16,782,359	₩ 603,039	₩ 20,861,290
Total comprehensive income for the year:							
Profit for the year	-	-	-	-	2,565,453	118,521	2,683,974
Net gain (loss) on other financial assets	-	-	-	(9,630)	-	2,348	(7,282)
Valuation through equity method	-	-	-	522,574	(8,103)	1,086	515,557
Remeasurements of the net defined benefit liability	-	-	-	-	(7,966)	30	(7,936)
Overseas operations translation	-	-	-	2,425	-	2,868	5,293
Transactions with owners directly reflected in capital, etc.							
Annual dividends	-	-	-	-	(439,593)	(37,312)	(476,905)
Disposals of treasury stocks	-	4,574	2,385	-	-	-	6,959
Acquisitions of treasury stocks	-	-	(6,160)	-	-	-	(6,160)
Changes from spin-off	(77,746)	-	(1,559,181)	-	-	-	(1,636,927)
Changes in the shares of subsidiaries	-	-	-	-	(736)	3,594	2,858
Others	-	-	-	-	-	(500)	(500)
Balance as of December 31, 2021	₩ 801,613	₩ 2,969,304	₩(1,565,341)	₩ 149,557	₩18,891,414	₩ 693,674	₩ 21,940,221
Balance as of January 1, 2022	₩ 801,613	₩ 2,969,304	₩(1,565,341)	₩ 149,557	₩18,891,414	₩ 693,674	₩ 21,940,221
Total comprehensive income for the year:							
Profit for the year	-	-	-	-	1,979,569	136,181	2,115,750
Net gain (loss) on other financial assets	-	-	-	18,010	(9,284)	(670)	8,056
Valuation through equity method	-	-	-	2,651,071	199,603	(298)	2,850,376
Remeasurements of the net defined benefit liability	-	-	-	-	8,131	437	8,568
Overseas operations translation	-	-	-	(19,234)	-	544	(18,690)
Transactions with owners directly reflected in capital, etc.							
Annual dividends	-	-	-	-	(448,885)	(47,568)	(496,453)
Acquisitions of treasury stocks	-	-	(167,762)	-	-	-	(167,762)
Changes in the shares of subsidiaries	-	(788)	-	(3,798)	-	(110)	(4,696)
Others	-	(825)	-	-	-	(359)	(1,184)
Balance as of December 31, 2022	₩ 801,613	₩ 2,967,691	₩(1,733,103)	₩ 2,795,606	₩20,620,548	₩ 781,831	₩ 26,234,186

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Korean won	
	Year ended December 31, 2022	Year ended December 31, 2021
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	₩ 2,115,750	₩ 2,683,974
Additions of expenses not involving cash outflows:		
Salaries and bonuses	2,829	7,486
Retirement benefits	22,983	27,186
Depreciation	149,506	146,688
Amortization of intangible assets	29,025	28,740
Bad debt expenses	678	1,552
Accrual of provisions	46,182	25,980
Impairment loss on property, plant and equipment	1,278	5,468
Impairment loss on intangible assets	10,370	2,684
Loss on foreign currency translation	11,610	2,883
Loss on disposals of property, plant and equipment	272	305
Loss on disposals of intangible assets	262	13
Loss on disposals of right-of-use assets	81	12
Loss on transactions of derivatives	27,445	13,289
Loss on valuation of derivatives	1,810	2,564
Disaster loss	62	-
Interest expenses	20,941	26,275
Loss on disposals of other financial assets	-	17
Loss on valuation of other financial assets	1,322	424
Loss on disposals of investments in subsidiaries	18	17
Loss on disposals of investments in associates	2,240	1,671
Impairment loss on investments in associates	9,875	199,459
Impairment loss on right-of-use assets	-	1,103
Income tax expense	672,361	300,369
Others	1,673	210
	1,012,823	794,395
Deduction of items not involving cash inflows:		
Reversal of loss on valuation of inventories	1	17
Reversal of allowance for bad debts	6,965	21
Reversal of provisions	6,493	9,987
Reversal of impairment losses on intangible assets	329	-
Gain on foreign currency translation	4,774	4,248
Gain on disposals of property, plant and equipment	15,778	21,223
Gain on disposals of right-of-use assets	242	131
Gain on disposals of intangible assets	3,324	-
Gain on disposals of investment property	-	85,006
Gain on transactions of derivatives	10,251	4,968
Gain on valuation of derivatives	60,302	2,251
Interest income	70,222	29,610
Dividend income	843	37,638

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LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (CONTINUED)

	Korean won	
	Year ended December 31, 2022	Year ended December 31, 2021
	(In millions)	
Gain on valuation of other financial assets	₩ 277	₩ 12,755
Gain on disposals of investments in subsidiaries	722,686	-
Gain on disposals of investments in associates	19,118	439,563
Gain on valuation by equity method	1,302,911	1,947,269
Reversal of impairment loss on investments in associates	-	2
Gain from assets contributed	-	280
Others	446	467
	(2,224,962)	(2,595,436)
Movements in working capital:		
Trade receivables	(257,929)	(345,951)
Other receivables	(7,557)	(53,300)
Inventories	(4,454)	(13,103)
Non-current trade receivables	3,597	2,961
Other non-current receivables	(141)	-
Defined benefit pension plan assets	(542)	(33)
Trade payables	20,891	294,822
Other payables	(111,015)	75,733
Provisions	(27,316)	(21,824)
Net defined benefit liability	(24,114)	(37,379)
Others	(44,588)	(176,173)
	(453,168)	(274,247)
Interest income received	45,916	26,478
Dividend income received	495,251	587,073
Income tax received	155	2,717
Interest expenses paid	(18,625)	(25,613)
Income taxes paid	(332,116)	(179,816)
Net cash provided by operating activities	641,024	1,019,525

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (CONTINUED)

	Korean won	
	Year ended December 31, 2022	Year ended December 31, 2021
	(In millions)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Decrease in financial institution deposits	₩ 3,197,664	₩ 2,705,432
Disposals of derivative instruments	10,251	4,968
Decrease in other receivables	7,107	7,232
Disposals of other financial assets	10,546	3,728
Decrease in non-current other receivables	1,139	668
Disposals of investments in subsidiaries	469,618	46,389
Disposals of investments in associates	3,699	103
Disposals of property, plant and equipment	19,679	35,527
Disposals of investment property	18	281,808
Disposals of intangible assets	3,865	274
Increase in government subsidy	492	-
Cash flows from changes of consolidation scope	-	654
Others	554	1,791
	3,724,632	3,088,574
Cash outflows for investing activities:		
Increase in financial institution deposits	3,599,390	2,914,334
Acquisitions of other financial assets	39,595	133,124
Acquisitions of derivative instruments	27,672	10,332
Increase in other receivables	4,284	7,895
Increase in other current assets	621	-
Increase in non-current other receivables	7,754	5,493
Acquisitions of investments in subsidiaries	-	4,959
Acquisitions of investments in associates	17,562	-
Acquisitions of property, plant and equipment	160,323	58,113
Acquisitions of investment property	6,701	156,233
Acquisitions of intangible assets	35,648	69,985
Disposals of investments in subsidiaries	146	-
Others	-	103
	(3,899,696)	(3,360,571)
Net cash used in investing activities	(175,064)	(271,997)

(Continued)

LG CORP. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (CONTINUED)

	Korean won			
	Year ended December 31, 2022		Year ended December 31, 2021	
	(In millions)			
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	₩	298,959	₩	9,844
Issuance of debentures		-		34
Disposals of treasury stocks		-		8,420
		298,959		18,298
Cash outflows for financing activities:				
Redemptions of short-term borrowings		51,407		18,602
Redemptions of long-term borrowings		-		87,297
Redemptions of debentures		220,000		250,000
Redemptions of lease liabilities		14,581		14,346
Redemptions of current portion of long-term borrowings		1,652		60
Decrease in common stocks		100		500
Payments of dividends		496,430		476,883
Acquisitions of treasury stocks		167,762		6,160
Cash outflows from spin-off		-		172,814
Others		60		-
		(951,992)		(1,026,662)
Net cash used in financing activities		(653,033)		(1,008,364)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(187,073)		(260,836)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,238,971		1,492,690
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(1,172)		7,117
CASH AND CASH EQUIVALENTS AT END OF YEAR	₩	1,050,726	₩	1,238,971

(Concluded)

See accompanying notes to consolidated financial statements.

LG CORP. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. GENERAL:

In accordance with Korean International Financial Reporting Standards ("K-IFRSs") 1110 (Consolidated Financial Statements), LG Corp. (the "Company") is the parent company and an investment holding company. In order to become a global competitor through effective management and to confront changes in domestic and international business environments, the Company acquired LG Electronics Inc. ("LGEI"), an investment company, and the real estate lease and investment business of D&O Corp. (formerly Serveone Corp., Ltd.) on March 1, 2003.

The Company has been listed on the Korea Stock Exchange market since February 1970. After numerous paid-up capital increases, spin-offs and mergers, the outstanding capital stock amounted to ₩801,613 million, including preferred stocks of ₩15,108 million as of December 31, 2022.

As of December 31, 2022, the Company's related parties and major shareholders are as follows:

Names of shareholders	Number of shares	Percentage of shares (%) (*)
Koo, Kwang Mo	25,096,717	15.65
Koo, Bon Sik	7,045,306	4.39
Kim, Yeong Sik	6,611,838	4.12
Koo, Bon Neung	4,790,423	2.99
Koo, Yeon Kyung and others	15,821,784	9.89
LG Yonam Education Foundation	3,350,761	2.09
LG Yonam Foundation	1,761,906	1.10
LG Evergreen Foundation	760,000	0.47
LG Welfare Foundation	360,000	0.22
Others	94,723,878	59.08
Total	160,322,613	100.00

(*) Includes preferred stocks.

2. STANDARDS AFFECTING PRESENTATION AND DISCLOSURE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been confirmed at the board of directors' meeting held on February 9, 2023, and will be finalized at the shareholders' meeting on March 29, 2023.

The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going-concern basis of accounting in preparing the consolidated financial statements.

The Company and its subsidiaries (the "Group") have prepared the consolidated financial statements in accordance with the K-IFRSs.

The significant accounting policies under K-IFRSs followed by the Group in the preparation of its consolidated financial statements are summarized below. Unless stated otherwise, these accounting policies have been applied consistently to the Group's consolidated financial statements for the current period and the comparative prior period.

Consolidated financial statements were prepared on a historical cost basis, except for certain non-current assets and financial assets measured at revalued amounts or fair values at the end of each reporting period as described in the accounting policies below. Historical costs are generally measured at the fair value of the consideration paid to acquire the asset.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 Share-Based Payment; leasing transactions that are within the scope of K-IFRS 1116 Leases; and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS 1002 Inventories or value in use in K-IFRS 1036 Impairment of Assets.

(1) New and amended K-IFRSs

1) New and amended K-IFRSs and new interpretations that are effective for the current year

- K-IFRS 1103 Business Combinations - Reference to the Conceptual Framework (Amendment)

The amendments update K-IFRS 1103 so that it refers to the Conceptual Framework (2018) instead of the Framework (2007). They also add to K-IFRS 1103 a requirement that, for obligations within the scope of K-IFRS 1037, an acquirer applies K-IFRS 1037 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of K-IFRS 2121 Levies, the acquirer applies K-IFRS 2121 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

- K-IFRS 1016 Property, Plant and Equipment - Proceeds before Intended Use (Amendment)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with K-IFRS 1002 Inventories.

If not presented separately in the consolidated statement of comprehensive income, the consolidated financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the consolidated statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the consolidated financial statements in which the entity first applies the amendments.

- K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendment)

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Annual Improvements to K-IFRS Standards 2018–2020

The annual improvements include amendments to four standards, such as K-IFRS 1101 First-time Adoption of K-IFRS, K-IFRS 1109 Financial Instruments, K-IFRS 1116 Leases and K-IFRS 1041 Agriculture.

1. K-IFRS 1101 First-time Adoption of K-IFRS

   The amendment provides additional relief to a subsidiary that becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in K-IFRS 1101 paragraph D16(1) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to International Financial Reporting Standards ("IFRSs"), if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in K-IFRS 1101 paragraph D16(1).

2. K-IFRS 1109 Financial Instruments

   The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

   The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

3. K-IFRS 1116 Leases

   The amendment removes the illustration of the reimbursement of leasehold improvements.

4. K-IFRS 1041 Agriculture

   The amendment removes the requirement in K-IFRS 1041 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in K-IFRS 1041 with the requirements of K-IFRS 1113 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or posttax cash flows and discount rates for the most appropriate fair value measurement.

The Group does not anticipate that the application of the enactment and amendments will have a significant impact on its consolidated financial statements.

2) New and revised K-IFRSs in issue, but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised K-IFRSs that have been issued, but are not yet effective:

- K-IFRS 1117 Insurance Contracts

K-IFRS 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

K-IFRS 1117 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

K-IFRS 1117 must be applied retrospectively, unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

- K-IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendments)

The amendments to K-IFRS 1001 affect only the presentation of liabilities as current or non-current in the consolidated statements of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

-K-IFRS 1001 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies (Amendments)

The amendments change the requirements in K-IFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information.' Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' as described in IFRS Practice Statement 2.

The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

-K-IFRS 1001 Presentation of Financial Statements - Disclosure of financial liabilities with condition to adjust exercise price (Amendments)

The amendments require disclosure of valuation gains or losses (limited to those recognized in the profit or loss) of the conversion options or warrants (or financial liabilities including them), if all or part of the financial instrument with exercise price that is adjusted depending on the issuer's share price change is classified as financial liability as defined in paragraph 11 (2) of K-IFRS 1032.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

-K-IFRS 1008 Accounting Polices, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates (Amendments)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty."

The definition of a change in accounting estimates was deleted. However, the International Accounting Standards Board retained the concept of changes in accounting estimates in the standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after January 1, 2023, to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

-K-IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying K-IFRS 1116 at the commencement date of a lease.

Following the amendments to K-IFRS 1012, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS 1012.

The board also adds an illustrative example to K-IFRS 1012 that explains how the amendments are applied.
The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

The Group does not anticipate that the application of the enactment and amendments will have an significant impact on the Group's consolidated financial statements.

(2) Basis of preparing consolidated financial statements

1) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except otherwise stated below, such as financial instruments. Historical costs are generally measured at the fair value of the consideration paid to acquire the asset.
2) Functional and reporting currencies

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group’s entities operate (its functional currency). The Group’s functional currency and the reporting currency for the consolidated financial statements is in Korean won.

3) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Group. Control is achieved where the Group 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee and 3) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Company, other vote holders or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

All intragroup transactions, assets and liabilities, income and expenses and others relating to these, are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group’s equity. Those interests of non-controlling shareholders that present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at 1) fair value or 2) at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition, plus the non-controlling interests’ share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable K-IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1039, *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

4) The Group's investments in subsidiaries as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

				Percentage of ownership and voting right held by the Group		As of and for the year ended December 31, 2022 (based on separate financial statements)			
Subsidiary	Location	Main Sales Activities	Closing date	December 31, 2022	December 31, 2021	Assets	Liabilities	Sales	Net income
D&O Corp. (formerly S&I Corporation Co., Ltd.) (*1)	South Korea	Real estate rental business and others	12/31	100.00%	100.00%	1,760,518	317,825	193,236	402,293
S&I Nanjing Company Limited (*2)	China	Building and civil engineering service	12/31	-	100.00%	-	-	14,734	(311)
Konjiam Yewon Co., Ltd. (*3)	South Korea	Seed, seedling cultivation and sales	12/31	-	90.00%	-	-	-	89
S&I POLAND SP.zo.o. (*2)	Poland	Building and civil engineering service	12/31	-	100.00%	-	-	12,688	504
Mirae M	South Korea	Hotel business	12/31	100.00%	100.00%	7,811	41,468	14,426	(1,010)
Dreamnuri (*2)	South Korea	Building general cleaning business, non-alcoholic beverage shop business and coffee shop operation business	12/31	-	100.00%	-	-	424	(8)
S&I Vietnam construction Co., Ltd. (*2)	Vietnam	Building and civil engineering service	12/31	-	100.00%	-	-	26,104	553
D&O CM (formerly S&I CM) (*1)	South Korea	Construction management business	12/31	100.00%	100.00%	52,726	11,889	42,102	6,625
D&D CM NANJING (formerly S&I CM NANJING) (*1)	China	Construction management business	12/31	100.00%	100.00%	6,516	1,914	7,308	315
D&O CM POLAND SP. Z o. o (formerly S&I CM POLAND SP. Z o. o) (*1)	Poland	Construction management business	12/31	100.00%	100.00%	4,549	947	5,638	390
D&O CM VIETNAM CO., LTD (formerly S&I CM VIETNAM CO., LTD) (*1)	Vietnam	Construction management business	12/31	100.00%	100.00%	5,335	2,909	9,247	1,027
XI C&A Co., Ltd. (formerly S&I Engineering & Construction Co., Ltd.) (*1) (*2)	South Korea	Building Construction Business	12/31	-	100.00%	-	-	132,160	397
S&I Corp. (formerly S&I Atxpert) (*1) (*2)	South Korea	Real estate management and others	12/31	-	100.00%	-	-	97,647	7,365
LG CNS Co., Ltd. (*4)	South Korea	IT system integrated management, consulting service	12/31	49.95%	49.95%	3,590,761	2,076,989	4,590,453	235,792
BizTech I Co.,Ltd. (formerly BizTechPartners Co., Ltd.) (*1) (*5)	South Korea	Development, design, sales of computer software and provision of related services	12/31	96.09%	96.09%	50,407	27,022	189,663	4,551
LG CNS Philippines, Inc.	Philippines	IT system integrated management, consulting service	12/31	100.00%	100.00%	-	3,379	-	-

Subsidiary	Location	Main Sales Activities	Closing date	Percentage of ownership and voting right held by the Group December 31, 2022	December 31, 2021	As of and for the year ended December 31, 2022 (based on separate financial statements) Assets	Liabilities	Sales	Net income
LG CNS Europe B.V.	Europe	IT system integrated management, consulting service	12/31	100.00%	100.00%	59,988	40,564	116,822	7,484
LG CNS America, Inc.	USA	IT system integrated management, consulting service	12/31	100.00%	100.00%	93,420	70,774	185,045	13,950
PT LG CNS Indonesia	Indonesia	IT system integrated management, consulting service	12/31	100.00%	100.00%	11,079	13,478	18,815	(51)
LG CNS Brasil Servicos de T.I. Ltda.	Brazil	IT system integrated management, consulting service	12/31	100.00%	100.00%	1,948	612	4,223	200
LG CNS China, Inc.	China	IT system integrated management, consulting service	12/31	100.00%	100.00%	126,464	88,229	204,044	16,354
LG CNS India Pvt., Ltd.	India	IT system integrated management, consulting service	12/31	100.00%	100.00%	6,670	6,519	14,168	524
LG CNS Colombia SAS	Colombia	IT system integrated management, consulting service	12/31	100.00%	100.00%	18,109	8,376	22,646	4,614
LG CNS Malaysia SDN BHD	Malaysia	IT system integrated management, consulting service	12/31	100.00%	100.00%	4,623	5,499	7,183	794
LG CNS Saudi Arabia LLC (*6)	Saudi Arabia	IT system integrated management, consulting service	12/31	-	51.00%	-	-	-	-
LG CNS JAPAN, Co., Ltd.	Japan	IT system integrated management, consulting service	12/31	100.00%	100.00%	4,234	1,434	7,857	(536)
LG CNS Uzbekistan, LLC	Uzbekistan	IT system integrated management, consulting service	12/31	51.00%	51.00%	400	707	207	(162)
Haengbokmaru Co., Ltd.	South Korea	Building general cleaning business, non-alcoholic beverage shop business and coffee shop operation business	12/31	100.00%	100.00%	2,214	701	3,111	140
LG CNS VIETNAM CO., LTD.	Vietnam	IT system integrated management, consulting service	12/31	100.00%	100.00%	15,683	10,314	43,299	2,991
LG CNS FUND I LLC	USA	Investment fund	12/31	100.00%	100.00%	29,290	6	-	(886)
Open Source Consulting Inc. (*7)	South Korea	IT system integrated management, consulting service	12/31	73.06%	56.21%	14,640	6,572	21,686	(1,167)
RightBrain Co., Ltd.	South Korea	Software development and supply business	12/31	61.91%	61.91%	7,371	3,217	8,467	(637)
Biztech On Co., Ltd. (*5)	South Korea	HR and salary welfare services, management operation and support consulting, etc.	12/31	96.09%	-	11,388	5,653	11,672	519
LG Sports Ltd.	South Korea	Sports Professional Service Industry	12/31	100.00%	100.00%	111,272	25,401	55,671	4,059
LG Management Development Institute	South Korea	Management advisory, training, e-commerce, e-commerce business	12/31	100.00%	100.00%	100,803	51,599	204,613	5,802
LG Holdings Japan Co., Ltd.	Japan	Real estate rental business and others	12/31	100.00%	100.00%	256,992	12,870	7,282	(3,587)

(*1) The name has been changed during the current period.
(*2) During the current period, 60% of the shares in Xi C&A Co., Ltd. (formerly S&I Engineering & Construction Co., Ltd.) and S&I Corp. (formerly S&I Atxpert) was sold and classified as investments in associates.
(*3) Sold during the current term.
(*4) Although it holds less than 50% of its shares, it is judged that it holds control in consideration of its power and exposure to variable returns or rights to the investment company.
(*5) It was divided during the current period, and the surviving corporation is BizTech I Co., Ltd. and the new corporation is BizTech On Co., Ltd.
(*6) It was liquidated during the current period.
(*7) The share ratio has changed due to the paid-in capital increase during the current period.

5) As of December 31, 2022, consolidated financial status of major subsidiaries with significant non-controlling interests is as follows (Unit: Korean won in millions):

		LG CNS Co., Ltd.
Current assets	₩	2,847,939
Non-current assets		1,017,196
Total assets		3,865,135
Current liabilities		2,005,335
Non-current liabilities		229,012
Total liabilities		2,234,347
Equity attributable to owners of the Company		1,625,965
Equity attributable to non-controlling interests		4,823
Total equity	₩	1,630,788

6) For the year ended December 31, 2022, the consolidated financial performances of major subsidiaries with significant non-controlling interests are as follows (Unit: Korean won in millions):

		LG CNS Co., Ltd.
Revenue	₩	4,969,651
Operating income		385,395
Profit for the year		264,968
Other comprehensive income		(27)
Total comprehensive income for the year	₩	264,941

7) For the year ended December 31, 2022, the consolidated cash flows of major subsidiaries with significant non-controlling interests are as follows (Unit: Korean won in millions):

		LG CNS Co., Ltd.
Cash flows from operating activities	₩	161,613
Cash flows from investing activities		(96,559)
Cash flows from financing activities		54,668
Net change in cash and cash equivalents		119,722
Cash and cash equivalents at the beginning of year		607,941
Effects of exchange rate changes on the balance of cash held in foreign currencies		686
Cash and cash equivalents at the end of year	₩	728,349

8) As of December 31, 2022, details of non-controlling interests of major subsidiaries with significant non-controlling interests are as follows (Unit: Korean won in millions):

		LG CNS Co., Ltd.
Ownership interest held by non-controlling interests		50.05%
Cumulative non-controlling interests	₩	781,831
Net income vested in non-controlling interests		136,172
Comprehensive income vested in non-controlling interests		132,434
Dividends paid to non-controlling interests	₩	47,568

(3) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, liabilities assumed and contingent liabilities are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 and K-IFRS 1019, respectively.
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered in to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102, Share-Based Payment, at the acquisition date.
- Assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105, Non-Current Assets Held for Sale and Discontinued Operations, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held interest in the acquiree (if any); the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRSs.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group’s PHI (including joint operations) in the acquired entity are remeasured to its acquisition-date (i.e., the date when the Group obtains control) fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date, that have previously been recognized in other comprehensive income, are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(4) Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results of operations and financial position of each group entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the consolidated financial statements.
In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (“foreign currencies”) are recognized at the rates of exchange prevailing at the dates of the

transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests, as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation or partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the accumulated exchange differences in respect of that operation attributable to the owners of the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests in equity and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

(5) Cash and cash equivalents

Cash and cash equivalents include cash, savings and checking accounts and highly liquid short-term investments (maturities of three months or less from the date of acquisition). Bank overdraft is accounted for as short-term borrowings.

(6) Financial instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component, which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

(7) Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

1) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model, whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model, whose objective is achieved by both collecting contractual cash flows and selling the financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in the fair value of an equity investment in other comprehensive income if certain criteria are met (see (1-3) below).
- The Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (1-4) below).

1-1) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e., assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding ECLs, through the expected life of the debt instrument or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECLs, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item (see Note 25).

1-2) Debt instruments classified as at FVTOCI

Fair value is determined in the manner described in Note 34. The corporate bonds are initially measured at fair value, plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses and interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

1-3) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking.
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value, plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with K-IFRS 1109, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the ‘finance income’ line item (Note 25) in profit or loss.

The Group designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition.

1-4) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (1-3) above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (1-1) and (1-2) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognizing inconsistency (so called ‘accounting mismatch’) that

would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' item (see Note 26). Meanwhile, interest income from FVTPL is accounted for as a 'financial income' item (see Note 25). Fair value is determined in the manner described in Note 34.

2) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item (see Note 26).
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses' line item (see Note 26). As the foreign currency element recognized in profit or loss is the same as if it was measured at amortized cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognized in other comprehensive income in the investments revaluation reserve.
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item as part of the fair value gain or loss (see Note 26).
- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

3) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current, as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3-1) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost
- An actual or expected significant deterioration in the operating results of the debtor
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- Significant increases in credit risk on other financial instruments of the same debtor
- An actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has a reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default.
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term.
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing.' Performing means that the counterparty has a strong financial position and there are no past-due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3-2) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due, unless the Group has a reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3-3) Credit-impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower
(b) A breach of contract, such as a default or past-due event (see 3-2) above)
(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
(e) The disappearance of an active market for that financial asset because of financial difficulties

3-4) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice, where appropriate. Any recoveries made are recognized in profit or loss.

3-5) Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss-given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECLs is consistent with the cash flows used in measuring the lease receivable in accordance with K-IFRS 1116 *Leases*.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs, less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

4) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and, substantially, all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument, which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(8) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories, except for those in in-transit measured using specific identification of their individual costs, are measured under the weighted-average method on a first-in, first-out basis and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(9) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not control or has joint control over those policies.

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results of operations and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case, it is accounted for in accordance with K-IFRS 1105, *Non-Current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses in an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

If there is an objective evidence that the Group's net investment in an associate or joint venture is impaired, the requirements of K-IFRS 1036 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 as a single asset by comparing its recoverable amount (higher of value in use and fair value, less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with K-IFRS 1109. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture, but continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Group applies K-IFRS 1105 to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

(10) Interests in joint operations

A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement that exists only when decisions about the relevant activities require unanimous consent of the parties' sharing control.

When a group entity undertakes its activities under joint operations, the Group, as a joint operator, recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the K-IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

(11) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any (see Note 2.(3)).

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or, more frequently, when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(12) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized at the carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land and some other tangible assets. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Buildings	10–50
Structures	5–40
Machinery	4–15
Other property	2–25

The Group reviews the depreciation method; the estimated useful lives; and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(13) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment property is depreciated based on the respective assets estimated useful lives ranging from 5–50 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(14) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

2) Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, and only if, the development project is designed to produce new or substantially improved products, and the Group can demonstrate the technical and economic feasibility and measure reliably the resources attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

3) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

4) Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

5) Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives.

(15) Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
Recoverable amount is the higher of fair value, less costs to sell or value in use. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(16) Financial liabilities and equity instruments

1) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group are measured in accordance with the specific accounting policies set out below.

4) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group's documented

risk management or investment strategy, and information about the grouping is provided internally on that basis.
- It forms part of a contract containing one or more embedded derivatives, and K-IFRS 1109 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (see Note 26) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that is recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognized in profit or loss.

Fair value is determined in the manner described in Note 34.

5) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the amortized cost of a financial liability.

6) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of debt instruments.
Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with K-IFRS 1109 (see financial assets above)
- The amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above

7) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss (see Note 26) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

8) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid, net of any fees received and discounted using the original effective rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between (1) the carrying amount of the liability before the modification and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

(17) Leases

The Group has chosen the cumulative catch-up approach at the date of initial application of K-IFRS 1116. Therefore, the Group does not restate the comparative information. The detailed accounting policies that applied under K-IFRS 1017 and K-IFRS 1116 are below.

1-1) The Group as lessee

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs, including the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case, the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case, a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost, less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under K-IFRS 1037. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statements of financial position.

The Group applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

1-2) The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases .

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of K-IFRS 1109, recognizing an allowance for ECLs on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies K-IFRS 1115 to allocate the consideration under the contract to each component .

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed-rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(19) Derivative instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges) or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements, unless the Group has both legally enforceable right and intention to offset. The impact of the Master Netting Agreements on the Group's financial position is disclosed in Note 50. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

1) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of K-IFRS 1109 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of K-IFRS 1109 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months.

2) Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e., including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of the option as a hedging instrument when it used the option contract to hedge the expected transaction. In International Accounting Standard (IAS) 39, changes in the fair value of an option (i.e., unspecified factors) are immediately recognized in profit or loss. In K-IFRS 9, changes in the time value of the option associated with the hedged item in other comprehensive income and the accumulated amount of equity are reclassified to profit or loss during the period when the hedged item affects profit or loss or is removed from equity and included directly in the carrying amount of non-financial items.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e., excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortization. Those reclassified amounts are recognized in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Note 34 sets out details of the fair values of the derivative instruments used for hedging purposes.

3) Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss, except when the hedging instrument hedges an equity instrument designated at FVTOCI; in which case, it is recognized in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognized in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

4) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the ‘other gains and losses’ line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

5) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the ‘other gains and losses’ line item.

Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

(20) Employee benefits

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the consolidated statements of financial position with a charge or credit to the consolidated statements of comprehensive income in the period in which they occur. Remeasurements recognized in the consolidated statements of comprehensive income are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs, or when the Group recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost and past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

The Group presents the service cost expenses, cost of sales and sales and management expenses, and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

(21) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive); as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

1) Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract, under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2) Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

(22) Government grants

Government grants are not recognized until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants related to assets are presented in the consolidated statements of financial position by deducting the grant from the carrying amount of the asset (including property, plant and equipment). The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants toward staff retraining costs are recognized as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.
Government grants relating to the acquisition of property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

(23) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

1) Sale of goods

The Group recognizes revenue from sale of goods when significant risks and rewards from ownership of goods have been transferred, and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods. Therefore, the Group recognizes revenue for the manufactured goods at acceptance and merchandises at delivery. Revenue is recognized, net of discounts, and returns derived from previous experience and provision are set for estimated return amounts, and if the past experience reveals that the return amounts or the return policy is immaterial, the gross sales amount will be recognized as revenue.

2) Rendering of service

The Group recognizes revenue from rendering service by the progress standards. The Group estimates the percentage of completion using surveys of work performed, services performed to date as a percentage of total services to be performed and the proportion of costs incurred to date in order to reliably measure the rendered services.

3) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenues and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and their receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent it is probable that contract costs incurred will be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where contract costs incurred to date, plus recognized profits, less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date, plus recognized profits, less recognized losses, the surplus is shown as the amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed, but not yet paid by the customer, are included in the consolidated statements of financial position under trade and other receivables.

4) Royalty revenue

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement.

5) Rental income

Rental income from the provision of real estate rental services is recognized over the period. The Group's policy for recognition of revenue from operating leases is summarized in Note 2. (17).

(24) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(25) Treasury stock

When the Group repurchases its equity instruments (treasury stock), the incremental costs that increase in relation to capital transactions, net of tax effect, are deducted from equity and recognized as other capital items deducted from the total equity in the consolidated statements of financial position. In addition, profits or losses from purchase, sale or retirement of treasury stocks are directly recognized in equity and not in current profit or loss.

(26) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value, less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must commit to a plan to sell the assets and is expected to meet the requirements within one year's time.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment or the portion of the investment in the associate that will be disposed of is classified as held for sale when the criteria described above are met, and the Group ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

(27) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 *Share-based payment*, leasing transactions that are within the scope of K-IFRS 1116 *Leases*, and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS 1002 *Inventories* or value in use in K-IFRS 1036 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

In the application of the Group accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(1) Deferred income tax assets

Future feasibility for deferred tax assets depends on a number of factors, including our ability to generate taxable income during the period in which the temporary difference is realized, the overall economic environment and industry outlook. The Company reviews these items periodically and recognizes deferred tax assets for temporary differences that it deems feasible as of the end of the reporting period.

(2) Uncertainty of total contract revenue estimates

Total contract revenue is measured initially at the contracted amount, but can be increased or decreased as a result of changes in the terms of the contract in the course of performing the contract so that the measurement of contract revenue is subject to various uncertainties related to the outcome of future events. The Group includes in the contract revenue when it is more likely that the customer will approve the change in the amount of revenue due to changes in the terms of the contract or if it is more likely than not that the performance criteria will be met and the amount can be reliably measured.

(3) Estimated total contract cost

The amount of the construction revenues is affected by the progress based on the cumulative incurred contract costs and the total contract costs are estimated based on future expectations, such as material costs, labor costs, project duration, etc. The Group estimates that the significant changes are reviewed periodically and the changes are reflected in the calculation of progress as of the end of the reporting period.

(4) Impairment inspection

The recoverable amount of the cash-generating unit to be reviewed for impairment is determined based on the value in use or the fair value, less costs to sell and is estimated based on future estimates.

(5) Defined benefit retirement benefit system

The consolidated entity operates a defined benefit retirement benefit system. Defined benefit obligations are calculated by performing actuarial valuations at the end of each reporting period, and to apply these actuarial valuations, it is necessary to estimate assumptions about discount rates, expected wage increases and mortality. The retirement benefit system contains important uncertainties in this estimation due to its long-term nature. As of and for the year ended December 31, 2022, the defined benefit retirement benefit obligation is ₩121,480 million (As of and for the year ended December 31, 2021: ₩132,026 million), and the details are described in Note 16.

(6) Fair value assessment of financial instruments

The fair value of a financial instrument that is not traded in an active market is determined principally using valuation techniques. The Group makes judgments on the selection of various valuation techniques and assumptions based on important market conditions as of the end of the reporting period.

(7) Uncertainty of COVID-19 Impact

In preparing consolidated financial statements, management should make judgements that significantly affect the amount recognized in the financial statements and make estimates and assumptions about the carrying amounts of assets and liabilities that cannot be easily identified from other data. Estimates and associated assumptions are based on past experience and other factors that are considered relevant. The actual results may also differ from these estimates. The spread of COVID-19 in 2022 has a significant impact on the domestic and global economies. This could potentially negatively impact the consolidation's future earnings and other financial performance. The ultimate impact of COVID-19 on the business, financial position and management performance of the consolidation entity is currently unpredictable.

4. SEGMENT INFORMATION:

(1) The Group divides its business into four business segments based on the types of goods sold and/or services rendered information reported to the chief operating decision maker. The four business segments are LG Corp., D&O Corp., LG CNS Co., Ltd. and others. Each segment serves as the basis for reporting the primary segment information of the Group, and the accounting policies for each business segment are the same as those described in the summary of significant accounting policies.

(2) Revenue and gain(loss) on valuation by equity method and profit before income tax from continuing operations for each business segment of the Group for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

		Revenue and gain (loss) on valuation by equity method (*1)		Profit before income tax from continuing operations (*2)	
Reporting sector	Business sector	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2021
LG Corp.	LG Corp.	₩ 1,067,525	₩ 989,760	₩ 908,041	₩ 552,316
D&O Corp. (formerly S&I Corporation Co., Ltd.) (*3)	D&O Corp. (formerly S&I Corporation) (*3)	193,236	139,541	646	61,166
	Konjiam Yewon Co., Ltd. (*4)	-	-	89	42
	Mirae M	14,426	8,451	(1,010)	(2,181)
	D&O CM (formerly S&I CM) (*3)	42,102	27,276	9,420	5,542
	D&O CM NANJING (formerly S&I CM NANJING) (*3)	7,308	9,948	351	2,401
	D&O CM POLAND SP. Z o. o (formerly S&I CM POLAND SP. Z o. o) (*3)	5,638	7,887	311	1,408
	D&O CM VIETNAM CO., LTD (formerly S&I CM VIETNAM CO., LTD) (*3)	9,247	4,875	1,284	393
LG CNS Co., Ltd.	LG CNS Co., Ltd.	4,590,453	3,826,781	320,252	277,528
	LG CNS China, Inc.	204,044	172,660	20,236	21,090
	LG CNS Europe B.V.	116,822	61,025	10,224	5,874
	LG CNS America, Inc.	185,045	118,957	18,720	15,617
	LG CNS India Pvt., Ltd.	14,168	9,365	696	(111)
	PT LG CNS Indonesia	18,815	8,277	742	327
	LG CNS Brasil Servicos de T.I. Ltda.	4,223	3,084	296	299
	BizTech I Co.,Ltd. (formerly BizTechPartners Co., Ltd.) (*3)(*5)	189,663	149,290	5,996	4,648
	LG CNS Colombia SAS	22,646	25,145	6,893	5,063
	LG CNS MALAYSIA SDN BHD	7,183	5,554	1,148	545
	LG CNS JAPAN Co., Ltd.	7,857	13,391	(535)	116
	LG CNS Uzbekistan, LLC	207	913	(162)	147
	Haengbokmaru Co., Ltd.	3,111	2,690	213	48
	LG CNS VIETNAM Co., Ltd.	43,299	50,638	3,170	3,045
	LG CNS FUND I LLC	-	-	(886)	(57)
	Sejong Green Power Co., Ltd.(*6)	-	3,754	-	(5,746)
	Open Source Consulting Inc.	21,686	14,380	(1,210)	(1,847)
	RightBrain Co., Ltd.(*7)	8,467	471	(583)	(92)
	Biztech On Co., Ltd. (*5)	11,672	-	414	-
Others	LG Sports Ltd.	55,671	58,829	4,097	(1,205)
	LG Holdings Japan Co., Ltd.	7,282	2,281	(3,893)	76,272
	LG Management Development Institute	204,613	144,657	8,161	889
Subtotal		7,056,409	5,859,880	1,313,121	1,023,537
Consolidation adjustments (*8)		129,578	999,130	732,497	1,367,448
Total		₩7,185,987	₩ 6,859,010	₩ 2,045,618	₩ 2,390,985

(*1) Revenue by reporting segment is based on the amount before eliminating intercompany profit and loss.
(*2) Profit before income tax from continuing operations by reportable segment is the profit or loss of each segment

that does not allocate revenue and expenses to the common segment.
(*3) The name has been changed during the current term.
(*4) Sold during the current period.
(*5) It was divided during the current period, and the surviving corporation is BizTech I Co., Ltd. and the new corporation is BizTech On Co., Ltd.
(*6) Sold during the prior period.
(*7) The Group gained control during prior period.
(*8) Amount of elimination of internal transactions and amount of equity method valuation.

(3) Assets for each business segment of the Group as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Business sector	December 31, 2022		December 31, 2021	
LG Corp.	₩	9,903,973	₩	9,708,699
D&O Corp. (formerly S&I Corporation Co., Ltd.) (*1)		1,837,455		1,704,945
LG CNS Co., Ltd.		4,048,689		3,477,363
Others		469,067		544,889
Subtotal		16,259,184		15,435,896
Consolidation adjustments (*2)		13,374,493		9,345,002
Assets held for sale		-		888,898
Total	₩	29,633,677	₩	25,669,796

(*1) The name has been changed during the current term.
(*2) Amount of elimination of internal transactions and amount of equity method valuation.

(4) Inventories sold and services rendered for each business segment of the Group for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Business sector	Inventories sold and services rendered	Year ended December 31, 2022		Year ended December 31, 2021	
LG Corp.	Others	₩	1,067,525	₩	989,760
D&O Corp. (formerly S&I Corporation Co., Ltd.) (*1)	Merchandise		1,424		1,304
	Service		209,682		152,920
	Construction		1,148		1,307
	Others		59,703		42,447
LG CNS Co., Ltd.	Service		2,053,492		1,703,539
	Construction		2,230,367		1,864,427
	Merchandise		1,165,502		898,409
Others	Service		204,613		144,657
	Others		62,953		61,110
Subtotal			7,056,409		5,859,880
Consolidation adjustments (*2)			129,578		999,130
Total		₩	7,185,987	₩	6,859,010

(*1) The name has been changed during the current term.
(*2) Amount of elimination of internal transactions and amount of equity method valuation.

(5) Regional revenue of the Group before consolidation adjustments for the years ended December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

Business sector	Year ended December 31, 2022		Year ended December 31, 2021	
Korea	₩	6,402,321	₩	5,365,584
China		211,656		182,905
Other Asia		108,059		95,293
America		211,913		147,186
Europe		122,460		68,912
Total	₩	7,056,409	₩	5,859,880

(6) Regional non-current assets of the Group before consolidation adjustments for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Business sector	December 31, 2022		December 31, 2021	
Korea	₩	9,987,140	₩	9,951,761
China		3,362		3,703
Other Asia		235,139		259,064
America		7,791		8,227
Europe		1,537		747
Total by category		10,234,969		10,223,502
Non-current assets held for sale		-		132,273
Total	₩	10,234,969	₩	10,355,775

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

(1) The carrying amount and fair value of financial assets as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

		December 31, 2022		December 31, 2021	
Financial assets	Account	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	Cash and cash equivalents	₩ 1,050,726	₩ 1,050,726	₩ 1,132,504	₩ 1,132,504
Financial assets measured at FVTPL	Derivative assets for trading purposes	11,442	11,442	2,259	2,259
	Other derivative asset	9,878	9,878	-	-
	Unmarketable equity securities	5,557	5,557	4,100	4,100
	Debt securities	72,196	72,196	38,085	38,085
	Subtotal	99,073	99,073	44,444	44,444
Financial assets measured at FVTOCI	Marketable equity securities	40,522	40,522	38,511	38,511
	Unmarketable equity securities	162,597	162,597	159,860	159,860
	Subtotal	203,119	203,119	198,371	198,371
Financial assets measured at amortized cost	Financial institution deposits	2,233,269	2,233,269	1,821,447	1,821,447
	Trade receivables	1,426,856	1,426,856	1,147,843	1,147,843
	Loans	11,818	11,818	9,683	9,683
	Other accounts receivable	74,452	74,452	78,548	78,548
	Accrued income	24,388	24,388	6,730	6,730
	Deposits	15,312	15,312	12,679	12,679
	Subtotal	3,786,095	3,786,095	3,076,930	3,076,930
	Total	₩ 5,139,013	₩ 5,139,013	₩ 4,452,249	₩ 4,452,249

(2) The carrying amount and fair value of financial liabilities as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

		December 31, 2022		December 31, 2021	
Financial liabilities	Account	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at FVTPL	Other derivative liabilities	₩ -	₩ -	₩ 38,982	₩ 38,982
	Derivative liabilities for trading purposes	1,810	1,810	2,564	2,564
	Subtotal	1,810	1,810	41,546	41,546
Financial liabilities measured at amortized cost	Trade payables	753,442	753,442	659,653	659,653
	Borrowings	291,368	291,368	45,169	45,169
	Other accounts payable(*)	106,018	106,018	85,696	85,696
	Accrued expenses(*)	20,577	20,577	16,866	16,866
	Accrued dividends	429	429	404	404
	Deposits received	127,052	126,601	272,146	274,759
	Debentures	519,468	492,075	738,863	837,910
	Subtotal	1,818,354	1,790,510	1,818,797	1,920,457
Lease liabilities	Lease liabilities	47,882	47,882	38,523	38,523
	Total	₩ 1,868,046	₩ 1,840,202	₩ 1,898,866	₩ 2,000,526

(*) payables and others not classified as financial liabilities are excluded.

6. CASH AND CASH EQUIVALENTS:

Details of cash and cash equivalents in the consolidated statements of financial position and adjustments to cash and cash equivalents in the consolidated statements of cash flows as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2022	December 31, 2021
Cash	₩ 940	₩ 215
Bank deposits	413,530	562,729
Other cash equivalents	636,256	569,560
Total cash and cash equivalents in the consolidated statements of financial position	1,050,726	1,132,504
Addition: cash and cash equivalents included in disposal groups	-	106,467
Total cash and cash equivalents in the consolidated statements of financial position	₩ 1,050,726	₩ 1,238,971

7. TRADE AND OTHER RECEIVABLES:

(1) Details of trade and other receivables before deducting accumulated impairment losses as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	December 31, 2022					
Description	Receivables neither impaired nor overdue	Receivables overdue but not impaired	Impaired receivables (Individually assessed)	Total	Consolidated adjustment	Consolidated
Trade receivables	₩ 1,403,641	₩ 173,337	₩ 10,584	₩ 1,587,562	₩ (150,686)	₩ 1,436,876
Other receivables	144,231	692	3,134	148,057	(21,909)	126,148
Total	₩ 1,547,872	₩ 174,029	₩ 13,718	₩ 1,735,619	₩ (172,595)	₩ 1,563,024

	December 31, 2021					
Description	Receivables neither impaired nor overdue	Receivables overdue but not impaired	Impaired receivables (Individually assessed)	Total	Consolidated adjustment	Consolidated
Trade receivables	₩ 1,178,117	₩ 125,987	₩ 14,995	₩ 1,319,099	₩ (157,287)	₩ 1,161,812
Other receivables	211,551	3,706	5,831	221,088	(110,376)	110,712
Total	₩ 1,389,668	₩ 129,693	₩ 20,826	₩ 1,540,187	₩ (267,663)	₩ 1,272,524

(2) Aging of trade and other receivables that are overdue, but not impaired as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2022	December 31, 2021
1–29 days	₩ 128,295	₩ 81,393
30–60 days	15,719	18,570
61–90 days	7,084	1,992
91–120 days	3,030	4,669
More than 120 days	19,901	23,069
Total	₩ 174,029	₩ 129,693

Since the experience of past credit losses of the Group shows significant loss of different customer segments, the provisioning rate based on past delinquency days is divided into different customer groups.

Meanwhile, the credit grant period is 60 to 120 days for each type of sales, and no interest is charged for accounts receivable. The Group measures the allowance for losses on trade receivables at an amount equal to the expected total ECLs. The ECLs on trade receivables are estimated using the default experience of the borrower and the provisional setup table based on the borrower's experience of the default and the current state of the borrower and are based on the specific factors of the borrower, and the general economic situation of the industry to which the borrower belongs and forecast directions. There are no estimating techniques or significant assumptions during the current period.

(3) Changes in accumulated impairment losses for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	2022		2021	
Description	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning balance	₩ 13,968	₩ 3,071	₩ 13,587	₩ 2,649
Impairment loss	529	149	784	768
Amounts written off	(69)	(615)	(152)	(338)
Amounts recovered	31	-	-	(2)
Reversal of allowance for doubtful accounts	(4,538)	(2,427)	(22)	-
Effect of foreign currency translation	99	-	(185)	-
Transfer to assets held for sale	-	-	(96)	(6)
Others	-	-	52	-
Ending balance	₩ 10,020	₩ 178	₩ 13,968	₩ 3,071

(4) Aging of impaired trade and other receivables as of December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

Description	December 31, 2022	December 31, 2021
Less than seven months	₩ 2,621	₩ 7,967
7–12 months	130	200
More than one year	10,967	12,659
Total	₩ 13,718	₩ 20,826

8. INVENTORIES:

Details of inventories as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	December 31, 2022		
Description	Acquisition cost	Carrying amount	Valuation allowance
Merchandise	₩ 54,973	₩ 54,908	₩ (65)
Raw materials	1,836	1,836	-
Stored goods	499	499	-
Other inventories	961	961	-
Total	₩ 58,269	₩ 58,204	₩ (65)

	December 31, 2021		
Description	Acquisition cost	Carrying amount	Valuation allowance
Merchandise	₩ 50,983	₩ 50,900	₩ (83)
Raw materials	1,820	1,820	-
Stored goods	616	616	-
Other inventories	774	683	(91)
Total	₩ 54,193	₩ 54,019	₩ (174)

9. OTHER ASSETS:

(1) Details of current other assets as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2022	December 31, 2021
Advance payments	₩ 37,170	₩ 36,972
Prepaid expenses	81,916	42,515
Prepaid value-added tax (“VAT”)	8,286	13,257
Contract assets	424,313	331,089
Others	73	112
Total	₩ 551,758	₩ 423,945

(2) Details of non-current other assets as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2022	December 31, 2021
Non-current advance payments	₩ 2,199	₩ 2,837
Non-current prepaid expenses	1,145	102
Invested asset for postemployment benefit contract account	12,110	273
Total	₩ 15,454	₩ 3,212

10. PROPERTY, PLANT AND EQUIPMENT:

(1) Composition of the Group’s property, plant and equipment as of December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

	December 31, 2022									
Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
Acquisition cost	₩ 429,835	₩1,158,168	₩ 271,738	₩ 112,415	₩27,761	₩ 329	₩ 185,777	₩ 18,954	₩ 501,389	₩2,706,366
Accumulated depreciation	-	(469,344)	(150,226)	(104,779)	(16,996)	(279)	(112,394)	-	(318,909)	(1,172,927)
Accumulated impairment	-	-	(708)	-	-	(7)	(6,183)	(922)	(152)	(7,972)
Government subsidies	-	(1,012)	-	-	(23)	-	(79)	-	-	(1,114)
Carrying amounts	₩ 429,835	₩ 687,812	₩ 120,804	₩ 7,636	₩10,742	₩ 43	₩ 67,121	₩ 18,032	₩ 182,328	₩1,524,353

	December 31, 2021									
Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
Acquisition cost	₩ 368,018	₩1,176,568	₩ 269,432	₩ 112,546	₩27,065	₩ 344	₩ 171,561	₩ 6,621	₩ 499,493	₩2,631,648
Accumulated depreciation	-	(431,995)	(138,320)	(98,995)	(14,850)	(262)	(104,847)	-	(325,598)	(1,114,867)
Accumulated impairment	-	-	(458)	-	-	(7)	(6,044)	(33)	(146)	(6,688)
Government subsidies	-	(1,100)	-	-	(63)	-	(110)	-	-	(1,273)
Carrying amounts	₩ 368,018	₩ 743,473	₩ 130,654	₩ 13,551	₩12,152	₩ 75	₩ 60,560	₩ 6,588	₩ 173,749	₩1,508,820

(2) Changes in property, plant and equipment for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2022									
Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
Beginning balance	₩ 368,018	₩ 743,473	₩130,654	₩ 13,551	₩12,152	₩ 75	₩ 60,560	₩ 6,588	₩ 173,749	₩1,508,820
Acquisitions	76,938	5,167	250	800	771	6	15,674	29,572	39,202	168,380
Disposals	(913)	-	(23)	-	(15)	-	(34)	-	(140)	(1,125)
Depreciation	-	(32,459)	(11,387)	(6,714)	(2,174)	(38)	(15,781)	-	(30,652)	(99,205)
Transfers in	4,413	6,107	2,016	-	8	-	6,860	70	86	19,560
Transfers out	(18,621)	(34,476)	(456)	-	-	-	-	(16,727)	-	(70,280)
Impairment loss	-	-	(250)	-	-	-	(139)	(889)	-	(1,278)
Others	-	-	-	-	-	-	-	(582)	(17)	(599)
Effect of foreign currency translation	-	-	-	(1)	-	-	(19)	-	100	80
Ending balance	₩ 429,835	₩ 687,812	₩120,804	₩ 7,636	₩10,742	₩ 43	₩ 67,121	₩ 18,032	₩ 182,328	₩1,524,353

	Year ended December 31, 2021									
Description	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Construction in progress	Other property	Total
Beginning balance	₩ 381,805	₩ 785,334	₩143,417	₩ 22,885	₩13,313	₩ 705	₩ 60,820	₩ 6,526	₩ 174,753	₩1,589,558
Acquisitions	-	2,463	522	216	1,114	297	26,776	9,420	24,503	65,311
Disposals	(9,113)	(996)	(12)	(36)	(30)	(78)	(39)	-	(371)	(10,675)
Depreciation(*1)	-	(32,749)	(11,881)	(6,962)	(2,197)	(308)	(17,915)	-	(28,112)	(100,124)
Transfers in	-	25,345	711	230	-	-	324	-	2,754	29,364
Transfers out	(345)	(32,187)	(799)	-	-	-	-	(9,170)	-	(42,501)
Government subsidies	-	-	-	-	-	-	(124)	-	-	(124)
Removal due to classification of assets to be sold	(4,296)	(435)	(1,167)	(46)	(33)	(542)	(8,834)	(155)	(181)	(15,689)
Consolidation scope changes(*2)	207	(994)	-	(487)	(3)	-	-	-	25	(1,252)
Impairment loss	(240)	(2,665)	(137)	(2,252)	(8)	-	(97)	(33)	(35)	(5,467)
Others	-	357	-	-	-	-	(429)	-	18	(54)
Effect of foreign currency translation	-	-	-	3	(4)	1	78	-	395	473
Ending balance	₩ 368,018	₩ 743,473	₩130,654	₩ 13,551	₩12,152	₩ 75	₩ 60,560	₩ 6,588	₩ 173,749	₩1,508,820

(*1) It contains amounts classified as discontinued operating profit or loss in the income statement for the previous period.
(*2) Sejong Green Power Co., Ltd. was sold and Right Brain Co., Ltd. was acquired during previous period.

(3) Changes in government subsidies and others for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022					
	Buildings	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Total
Beginning balance	₩ 1,100	-	₩ 63	-	₩ 110	₩ 1,273
Offsetting depreciation	(88)	-	(40)	-	(31)	(159)
Ending balance	₩ 1,012	-	₩ 23	-	₩ 79	₩ 1,114

Description	Year ended December 31, 2022					
	Buildings	Machinery	Vehicles	Tools and equipment	Furniture and fixtures	Total
Beginning balance	₩ 1,189	₩ 4	₩ 136	₩ 11	₩ 40	₩ 1,380
Receipt	-	-	-	-	124	124
Offsetting depreciation	(89)	(1)	(55)	(3)	(46)	(194)
Others	-	(3)	(18)	(8)	(8)	(37)
Ending balance	₩ 1, 100	₩ -	₩ 63	₩ -	₩ 110	₩ 1,273

11. INVESTMENT PROPERTY:

(1) Composition of investment property as of December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

Description	December 31, 2022				
	Land	Buildings	Structures	Construction in progress	Total
Acquisition cost	₩ 652,232	₩ 872,607	₩ 9,142	₩ 1,244	₩ 1,535,225
Accumulated depreciation	-	(233,268)	(5,077)	-	(238,345)
Government subsidies	(1,037)	(3,649)	-	-	(4,686)
Accumulated depreciation	651,195	635,690	4,065	1,244	1,292,194
Carrying amounts	₩ 652,232	₩ 872,607	₩ 9,142	₩ 1,244	₩ 1,535,225

Description	December 31, 2021				
	Land	Buildings	Structures	Construction in progress	Total
Acquisition cost	₩ 641,352	₩ 853,140	₩ 8,682	₩ 3	₩ 1,503,177
Accumulated depreciation	-	(202,503)	(4,707)	-	(207,210)
Carrying amounts	₩ 641,352	₩ 650,637	₩ 3,975	₩ 3	₩ 1,295,967

(2) Changes in investment property for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022				
	Land	Buildings	Structures	Construction in progress	Total
Beginning balance	₩ 641,352	₩ 650,637	₩ 3,975	₩ 3	₩ 1,295,967
Acquisitions	843	4,545	-	1,313	6,701
Depreciation	-	(35,641)	(915)	-	(36,556)
Transfers	14,208	35,579	1,005	(72)	50,720
Disposals	(557)	-	-	-	(557)
Government subsidies	(1,071)	(3,853)	-	-	(4,924)
Others	(3,580)	(15,577)	-	-	(19,157)
Ending balance	₩ 651,195	₩ 635,690	₩ 4,065	₩ 1,244	₩ 1,292,194

Description	Year ended December 31, 2021 Land	Buildings	Structures	Construction in progress	Total
Beginning balance	₩ 762,633	₩ 483,071	₩ 4,945	₩ 107,263	₩ 1,357,912
Acquisitions	-	1,428	-	154,805	156,233
Depreciation(*1)	-	(30,724)	(1,117)	-	(31,841)
Transfers	49,036	225,261	760	(261,920)	13,137
Disposals	(167,727)	(24,496)	(605)	-	(192,828)
Others	(2,590)	(3,903)	(8)	(145)	(6,646)
Ending balance	₩ 641,352	₩ 650,637	₩ 3,975	₩ 3	₩ 1,295,967

(*1) It contains amounts classified as discontinued operating profit or loss in the income statement for the previous period.

(3) Details of the fair value of investment property as of December 31, 2022, are as follows (Unit: Korean won in millions):

Description	Date of revaluation	December 31, 2022 Land	Buildings, structures and construction in progress	Total
Book value of investment property:				
Book value (*1)		₩ 681,856	₩ 683,499	₩ 1,365,355
Results of valuation:				
Twin Tower	2022-08-30	993,720	280,280	1,274,000
Gasandong building	2022-08-30	154,789	105,361	260,150
Gwanghwamun building	2022-08-30	351,780	99,220	451,000
Seoul Station building	2022-08-30	363,825	131,175	495,000
Sangdodong Hi Plaza (*2)	2017-06-30	5,445	1,760	7,205
Dogokdong Gangnam building (*2)	2017-12-31	167,077	75,491	242,568
Flagone 2(*3)	-	-	13,251	13,251
CNS Sangam DDMC (*4)	2020-01-10		343,000	343,000
Japan Corporation (*2)	-	43,928	189,860	233,788
LG Art Center, LG Discovery Lab (*3)	-	-	5,754	5,754
Total				₩3,325,716

(*1) Includes the value of investment property (Book value that is subject to valuation: ₩73,161 million) occupied by the owner.
(*2) Carrying amount is considered as fair value.
(*3) The carrying amount of right-of-use assets is considered as fair value.
(*4) It is the whole valuation amount of Sangam DDMC. Sangam DDMC is an appraisal value of the entire real estate, including land, buildings and structures.

Fair value assessment was performed by an independent third party, Nara Appraisal Co., Ltd. and Samchang Appraisal Co., Ltd.

The fair value of investment property is classified as Level 3 based on the input variables that are used in the valuation method.

The valuation method for measurement of fair value is the method of discounted cash flow, so the fair value of investment property is measured by the discounted present value that the net cash flow from the investment property is discounted by the discount rate of risk adjustment by reflecting the cost in relation to rental promotion, such as estimated success rate of rental market, vacant period, rental rate, free rental period and other costs that the lessee does not pay. Main input variables that are significant for measuring the fair value, but not observable, are estimated success rate of rental market, vacant rate, free rental period and discount rate of risk adjustment.

(4) Changes in government subsidies and others for the years ended December 31, 2022, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2022		
Description	Land	Buildings	Total
Beginning balance	₩ -	₩ -	₩ -
Receipt	1,071	3,853	4,924
Offsetting depreciation	-	(83)	(83)
Others	(34)	(121)	(155)
Ending balance	₩ 1,037	₩ 3,649	₩ 4,686

Meanwhile, the Group recognized the amount of ₩161,853 million and ₩140,807 million as rental income related to investment property for the years ended December 31, 2022 and 2021, respectively.

12. INTANGIBLE ASSETS:

(1) Composition of the Group's intangible assets as of December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

	December 31, 2022						
Description	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Acquisition cost	₩ 116,529	₩ 27,641	₩ 27,809	₩ 9,959	₩ 3,383	₩ 173,071	₩ 358,392
Accumulated depreciation	(38,746)	(17,421)	-	-	-	(129,609)	(185,776)
Accumulated impairment	(15,790)	(5)	(2,724)	(2,612)	-	(397)	(21,528)
Total	₩ 61,993	₩ 10,215	₩ 25,085	₩ 7,347	₩ 3,383	₩ 43,065	₩ 151,088

	December 31, 2021						
Description	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Acquisition cost	₩ 62,221	₩ 25,352	₩ 26,996	₩ 10,433	₩ 36,568	₩ 170,219	₩ 331,789
Accumulated depreciation	(27,691)	(15,661)	-	-	-	(117,258)	(160,610)
Accumulated impairment	(4,903)	(5)	(3,054)	(2,612)	(517)	(397)	(11,488)
Total	₩ 29,627	₩ 9,686	₩ 23,942	₩ 7,821	₩ 36,051	₩ 52,564	₩ 159,691

(2) Changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022						
	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Beginning balance	₩ 29,627	₩ 9,686	₩ 23,942	₩ 7,821	₩ 36,051	₩ 52,564	₩ 159,691
Acquisitions	-	247	1,484	-	5,024	5,551	12,306
Increase due to internal development	-	-	-	-	19,076	-	19,076
Disposals	-	(68)	(668)	-	-	(68)	(804)
Transfers in	52,759	19	-	-	-	2,370	55,148
Transfers out	-	-	-	-	(55,148)	-	(55,148)
Impairment loss	(8,930)	-	-	-	(1,441)	-	(10,371)
Reversal of an impairment loss	-	-	329	-	-	-	329
Amortization	(11,125)	(1,771)	-	-	-	(16,129)	(29,025)
Others	(332)	2,102	-	(474)	(182)	(1,234)	(120)
Effect of foreign currency translation	(6)	-	(2)	-	3	11	6
Ending balance	₩ 61,993	₩ 10,215	₩ 25,085	₩ 7,347	₩ 3,383	₩ 43,065	₩ 151,088

Description	Year ended December 31, 2021						
	Development costs	Intellectual property rights	Memberships	Goodwill	Construction in progress	Computer software and other assets	Total
Beginning balance	₩ 17,394	₩ 9,543	₩ 18,857	₩ 4,301	₩ 13,638	₩ 68,324	₩ 132,057
Acquisitions	-	336	5,325	-	15,112	9,554	30,327
Increase due to internal development	-	-	-	-	44,977	-	44,977
Disposals	-	(35)	(251)	-	-	(2)	(288)
Transfers in	20,829	14	-	-	619	15,478	36,940
Transfers out	-	-	-	-	(36,940)	-	(36,940)
Increase due to business combination	-	-	-	3,520	-	1,947	5,467
Transfer to assets held for sale	-	(29)	-	-	-	(20,436)	(20,465)
Impairment loss	(2,157)	-	-	-	(517)	(10)	(2,684)
Amortization	(6,317)	(1,646)	-	-	-	(20,777)	(28,740)
Others	(131)	1,503	-	-	(841)	(1,696)	(1,165)
Effect of foreign currency translation	9	-	11	-	3	182	205
Ending balance	₩ 29,627	₩ 9,686	₩ 23,942	₩ 7,821	₩ 36,051	₩ 52,564	₩ 159,691

(3) Details of book value of goodwill that is allocated to cash-generating unit as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2022					
	Acquisition cost		Accumulated impairment loss		Book value	
BizTechPartners Co., Ltd.	₩	1,665	₩	-	₩	1,665
Open Source Consulting Inc.		5,248		(2,612)		2,636
RightBrain Co., Ltd.		3,046		-		3,046
Total	₩	9,959	₩	(2,612)	₩	7,347

Description	December 31, 2021					
	Acquisition cost		Accumulated impairment loss		Book value	
BizTechPartners Co., Ltd.	₩	1,665	₩	-	₩	1,665
Open Source Consulting Inc.		5,248		(2,612)		2,636
RightBrain Co., Ltd.		3,520		-		3,520
Total	₩	10,433	₩	(2,612)	₩	7,821

(4) There are no Changes in government grants for the years ended December 31, 2022 and 2021.

(5) The costs related to research and development, accounted for as expenses, for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	2022		2021	
Selling and administrative expenses	₩	47,841	₩	34,661

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Composition of the Group's investments in associates and joint ventures as of December 31, 2022, is as follows:

Companies	Location of incorporation	Major business activities	Closing date	Number of shares held and investments in capital: Common stock	Number of shares held and investments in capital: Preferred stock	Number of shares issued: Common stock	Number of shares issued: Preferred stock	Percentage of ownership (%)	Percentage of ownership (common stock) (%)
LG Chem Ltd.	South Korea	Manufacturing of basic petrochemicals	12-31	23,534,211	-	70,592,343	7,688,800	30.06%	33.34%
LG Household & Health Care Ltd.	South Korea	Manufacturing of toothpastes, soap and detergents	12-31	5,315,500	-	15,618,197	2,099,697	30.00%	34.03%
LG Electronics Inc.	South Korea	Manufacturing of electronic components, computers, image, acoustic and communication equipment	12-31	55,094,582	-	163,647,814	17,185,992	30.47%	33.67%
LG Uplus Corp.	South Korea	Telecommunications	12-31	164,422,375	-	436,611,361	-	37.66%	37.66%
GIIR Corporation	South Korea	Holdings company	12-31	5,798,593	-	16,567,409	-	35.00%	35.00%
ZKW Holding GmbH (*1)	Austria	Vehicle headlamp manufacturing	12-31	-	-	-	-	30.00%	30.00%
ZKW Austria Immobilien Holding GmbH (*1)	Austria	Real estate management	12-31	-	-	-	-	30.00%	30.00%
Tmoney Co., Ltd.	South Korea	System software development and supply	12-31	3,927,167	-	11,934,085	-	32.91%	32.91%
Songdo U-Life LLC (*2)	South Korea	Health care, integrated wireless environment, integrated smart cards and building management	12-31	5,880	-	35,880	-	16.39%	16.39%
Recaudo Bogota S.A.S.	Colombia	Public system development and service	12-31	2,126	-	10,630	-	20.00%	20.00%
Hellas SmarTicket Societe Anonyme	Greece	Public system development and service	12-31	22,500	-	75,000	-	30.00%	30.00%
Dongnam Solar Energy Co., Ltd.	South Korea	Solar energy generation business	12-31	174,608	-	672,000	-	25.98%	25.98%
Daegu Clean Energy Co., Ltd.	South Korea	Energy supply business	12-31	25,000	-	100,000	-	25.00%	25.00%
Serveone Co., Ltd.	South Korea	Wholesale and retail business and others	12-31	531,867	-	1,333,000	-	39.90%	39.90%
CloudGram Corp.	South Korea	Hosting and related services and others	12-31	1,075,000	-	3,075,000	-	34.96%	34.96%
Korea DRD Corp. (*2)	South Korea	Information service and blockchain technology-related service	12-31	119,400	-	600,000	-	19.90%	19.90%
Hempking Corp. (*3)	South Korea	System Software Development and Supply service	12-31	-	25,000	100,000	25,000	20.00%	-
Danbee Inc.	South Korea	System Software Development and Supply service	12-31	50,000	-	250,000	-	20.00%	20.00%
Bithumb META Co., Ltd. (*2)(*4)	South Korea	Other information services	12-31	600,000	-	5,800,000	-	10.34%	10.34%
SEJONG SMART CITY CO., LTD. (*2)(*4)	South Korea	Development and Supply of Residential/Non-residential Buildings	12-31	1,201,000	255,200	6,750,000	2,250,000	16.18%	17.79%
XI C&A Co., Ltd. (*5)	South Korea	Building Construction Business	12-31	1,600,000	-	4,000,000	-	40.00%	40.00%
S&I Corp. (*5)	South Korea	Real estate management, etc.	12-31	1,600,000	-	4,000,000	-	40.00%	40.00%

(*1) The company does not issue real shares; the number of shares is not shown.
(*2) Although the Group owns less than 20% of its shares, the Group has significant influence over the contractual right to appoint one member of the board of directors.
(*3) Although the Group has significant influence by contract between shareholders, it is classified as financial assets measured at FVTPL since conversion right of preferred stock is not exercised.
(*4) Significant influence was acquired during the current period.
(*5) It was classified as an associate due to the disposal of shares during the current period.

Fair values of marketable equity securities for investments in associates as of December 31, 2022, are as follows (Unit: Korean won in millions):

Description	LG Chem Ltd.	LG Household & Health Care Ltd.	LG Electronics Inc.	LG Uplus Corp.	GIIR Corporation
Fair values of equity securities	₩ 14,120,527	₩ 3,837,791	₩ 4,765,681	₩ 1,816,867	₩ 34,212

(2) Changes in investments in associates and joint ventures for the years ended December 31, 2022 and 2021, are as follows (Uni: Korean won in millions):

	Year ended December 31, 2022						
Companies	Beginning balance	Acquisitions	Dividends received	Equity method gains and losses	Other capital changes and others	Disposal and others	Ending balance
LG Chem Ltd.	₩ 6,355,279	₩ -	₩ (282,411)	₩ 569,028	₩ 2,628,120	₩ -	₩ 9,270,016
LG Household & Health Care Ltd.	1,701,531	-	(63,786)	75,294	(26,686)	-	1,686,353
LG Electronics Inc.	5,160,642	-	(46,830)	362,033	219,970	-	5,695,815
LG Uplus Corp.	2,867,800	-	(98,653)	247,954	33,216	-	3,050,317
LG Hitachi Co., Ltd. (*4)	7,550	-	-	(208)	249	(7,591)	-
GIIR Corporation	52,349	-	(2,030)	5,062	2,509	-	57,890
ZKW Holding GmbH	140,359	-	-	(22,794)	2,253	-	119,818
ZKW Austria Immobilien Holding GmbH	8,936	-	-	1,214	51	-	10,201
Tmoney Co., Ltd.	53,553	-	-	7,163	(488)	-	60,228
Songdo U-Life LLC	579	-	-	184	185	-	948
Recaudo Bogota S.A.S.	1,397	-	-	252	(253)	-	1,396
Hellas SmarTicket Societe Anonyme	4,543	-	(735)	1,054	30	-	4,892
Dongnam Solar Energy Co., Ltd.	686	-	-	314	(1)	-	999
Daegu Clean Energy Co., Ltd. (*1)	-	-	-	-	-	-	-
Serveone Co., Ltd.	310,076	-	-	34,026	2,135	-	346,237
CloudGram Corp.(*5)	15,793	-	-	(724)	(70)	(6,606)	8,393
Korea DRD Corp.	624	-	-	56	-	-	680
Danbee Inc. (*1)	-	-	-	-	-	-	-
Bithumb META Co., Ltd. (*2)	-	3,000	-	(443)	-	-	2,557
SEJONG SMART CITY CO., LTD. (*2)	-	14,562	-	(2,085)	-	-	12,477
XI C&A Co., Ltd. (*3)	-	167,189	-	17,991	1,142	-	186,322
S&I Corp. (*3)	-	162,339	-	7,540	2,245	-	172,124
Total	₩ 16,681,697	₩ 347,090	₩ (494,445)	₩ 1,302,911	₩ 2,864,607	₩ (14,197)	₩ 20,687,663

(*1) The equity method was discontinued due to the accumulated equity method loss before the previous year, and the unrecognized cumulative equity method loss is ₩77 million.
(*2) Significant influence was acquired during the current period.
(*3) It was classified as an associate due to the sale of shares during the current period.
(*4) It was sold after ₩3,269 million of impairment loss was recognized during the current period.
(*5) ₩6,606 million of impairment loss was recognized during the current period.

Companies	Beginning balance	Acquisitions	Dividends received	Equity method gains and losses	Other capital changes and others	Disposal and others	Ending balance
	Year ended December 31, 2021						
LG Chem Ltd.	₩ 5,262,146	₩ -	₩(235,342)	₩ 1,102,792	₩ 215,433	₩ 10,250	₩ 6,355,279
LG Household & Health Care Ltd.	1,502,943	-	(58,471)	265,650	(8,591)	-	1,701,531
LG Electronics Inc.	4,609,110	-	(66,113)	318,320	299,325	-	5,160,642
LG Uplus Corp.	2,728,649	-	(106,875)	257,697	(11,671)	-	2,867,800
LG Hitachi Co., Ltd.	6,622	-	(19)	188	759	-	7,550
GIIR Corporation	48,243	-	(1,740)	4,661	1,185	-	52,349
ZKW Holding GmbH (*1)	361,238	-	-	(45,245)	11,829	(187,463)	140,359
ZKW Austria Immobilien Holding GmbH(*1)	17,570	-	-	1,104	558	(10,296)	8,936
Combustion Synthesis Co., Ltd.(*2)	1,734	-	-	(92)	(7)	(1,635)	-
Tmoney Co., Ltd.	47,017	-	-	5,119	1,417	-	53,553
Songdo U-Life LLC	365	-	-	214	-	-	579
Recaudo Bogota S.A.S.	2,737	-	-	(1,075)	(265)	-	1,397
Hellas SmarTicket Societe Anonyme	4,554	-	(1,036)	1,009	16	-	4,543
Ulleungdo Natural Energy Independent Island Co., Ltd.(*3)	39	-	-	-	-	(39)	-
Dongnam Solar Energy Co., Ltd.	677	-	-	9	-	-	686
Daegu Clean Energy Co., Ltd. (*4)	-	-	-	-	-	-	-
Serveone Co., Ltd.	346,353	-	-	38,144	5,419	(79,840)	310,076
CloudGram Corp.	18,758	-	-	(1,265)	-	(1,700)	15,793
Korea DRD Corp.	585	-	-	39	-	-	624
Total	₩ 14,959,340	₩ -	₩ (469,596)	₩ 1,947,269	₩ 515,407	₩ (270,723)	₩ 16,681,697

(*1) The signs of impairment to ZKW Holding GmbH and ZKW Austria Immobilien Holding GmbH were identified in the prior period, and the impairment loss of ₩187,463 million and ₩10,296 million was recognized, respectively, as profit or loss by reviewing the recoverable value. Recoverable value was decided based on value in use and influenced by changes in main assumptions used in discounted cash flow method, such as 2% of permanent growth rate anticipated after five years and 10.89%–12.89% of discount rate.
(*2) It was sold during the prior period.
(*3) It was liquidated during the prior period.
(*4) The equity method was discontinued due to the accumulated equity method loss before the previous year, and the unrecognized cumulative equity method loss is ₩4 million.

(3) Adjustments to the book value of investments in associates and joint ventures from the net asset value of associates and joint ventures as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Companies	Net assets (A)	Ownership rate of the Group(B) (*1)	Controlling interest of net assets (A x B)	(+)Goodwill and others	(-)Elimination of intercompany transactions and others	Ending balance
	As of and for the year ended December 31, 2022					
LG Chem Ltd.	₩ 31,450,572	30.07%	₩ 9,455,937	₩ 6,023	₩ (191,944)	₩ 9,270,016
LG Household & Health Care Ltd.	5,339,283	31.72%	1,693,770	-	(7,417)	1,686,353
LG Electronics Inc.	18,992,108	30.60%	5,810,977	-	(115,162)	5,695,815
LG Uplus Corp.	8,165,135	38.25%	3,123,409	-	(73,092)	3,050,317
GIIR Corporation	176,535	35.78%	63,159	2,352	(7,621)	57,890
ZKW Holding GmbH	517,862	30.00%	155,359	(35,541)	-	119,818
ZKW Austria Immobilien Holding GmbH	29,285	30.00%	8,786	1,415	-	10,201
Tmoney Co., Ltd..	156,368	32.91%	51,456	8,778	(6)	60,228
Songdo U-Life LLC	25,581	16.39%	4,192	(3,244)	-	948
Recaudo Bogota S.A.S.	10,455	20.00%	2,091	(695)	-	1,396
Hellas SmarTicket Societe Anonyme	16,303	30.00%	4,891	-	1	4,892
Dongnam Solar Energy Co., Ltd.	3,840	25.98%	998	1	-	999
Daegu Clean Energy Co., Ltd.	44	25.00%	11	-	(11)	-
Serveone Co., Ltd.	669,534	39.90%	267,144	84,571	(5,478)	346,237
CloudGram Corp.	12,619	34.96%	4,413	3,980	-	8,393
Korea DRD Corp.	3,418	19.90%	680	-	-	680
Bithumb META Co., Ltd.	24,206	10.34%	2,504	56	(3)	2,557
SEJONG SMART CITY CO., LTD.	87,633	16.18%	14,179	-	(1,702)	12,477
XI C&A Co., Ltd.	266,205	40.00%	106,482	88,943	(9,103)	186,322
S&I Corp.	102,811	40.00%	41,124	132,208	(1,208)	172,124

(*1) The equity ratio reflects the effect of treasury stock and may be a different from ownership percentage.

Companies	Net assets (A)	Ownership rate of the Group(B) (*1)	Controlling interest of net assets (A x B)	(+)Goodwill and others	(-)Elimination of intercompany transactions and others	Ending balance
	As of and for the year ended December 31, 2021					
LG Chem Ltd.	₩ 21,693,784	30.21%	₩ 6,553,237	₩ 6,052	₩ (204,010)	₩ 6,355,279
LG Household & Health Care Ltd.	5,388,010	31.72%	1,709,228	-	(7,697)	1,701,531
LG Electronics Inc.	17,230,643	30.60%	5,272,025	-	(111,383)	5,160,642
LG Uplus Corp.	7,673,144	38.25%	2,935,208	-	(67,408)	2,867,800
LG Hitachi Co., Ltd.	15,412	49.00%	7,552	-	(2)	7,550
GIIR Corporation	161,133	35.00%	56,396	2,352	(6,399)	52,349
ZKW Holding GmbH	586,071	30.00%	175,821	(35,462)	-	140,359
ZKW Austria Immobilien Holding GmbH	24,945	30.00%	7,484	1,452	-	8,936
Tmoney Co., Ltd..	136,171	32.91%	44,810	8,777	(34)	53,553
Songdo U-Life LLC	23,331	16.39%	3,823	3,493	(6,737)	579
Recaudo Bogota S.A.S.	10,461	20.00%	2,092	-	(695)	1,397
Hellas SmarTicket Societe Anonyme	14,708	30.00%	4,412	-	131	4,543
Dongnam Solar Energy Co., Ltd.	2,633	25.98%	684	2	-	686
Daegu Clean Energy Co., Ltd.	45	25.00%	11	-	(11)	-
Serveone Co., Ltd.	570,981	39.90%	227,821	85,848	(3,593)	310,076
CloudGram Corp.	14,892	34.96%	5,207	10,586	-	15,793
Korea DRD Corp.	3,136	19.90%	624	-	-	624

(*1) The equity ratio reflects the effect of treasury stock and may be a different from ownership percentage.

(4) Summary of financial position for associates as of December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

	December 31, 2022								
Companies	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
LG Chem Ltd. (*)	₩29,674,369	₩38,299,454	₩67,973,823	₩16,459,563	₩14,033,133	₩30,492,696	₩31,450,572	₩6,030,555	₩37,481,127
LG Household & Health Care Ltd.	2,284,389	5,018,541	7,302,930	1,162,758	671,336	1,834,094	5,339,283	129,553	5,468,836
LG Electronics Inc. (*)	27,488,228	27,667,913	55,156,141	22,332,549	10,331,595	32,664,144	18,992,108	3,499,889	22,491,997
LG Uplus Corp.	5,043,422	14,731,378	19,774,800	4,817,824	6,507,309	11,325,133	8,165,135	284,532	8,449,667

(*) LG Chem Ltd. and LG Electronics Inc. each recorded ₩27,480 million, ₩12,915 million, respectively, of assets (liabilities) held for sale as of December 31, 2022.

	December 31, 2021								
Companies	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
LG Chem Ltd. (*)	₩20,413,820	₩30,721,482	₩51,135,302	₩15,062,096	₩12,863,218	₩27,925,314	₩21,693,784	₩1,516,204	₩23,209,988
LG Household & Health Care Ltd.	2,472,884	5,082,355	7,555,239	1,525,845	531,562	2,057,407	5,388,010	109,823	5,497,833
LG Electronics Inc. (*)	27,487,763	25,993,715	53,481,478	23,619,899	9,763,546	33,383,445	17,230,643	2,867,390	20,098,033
LG Uplus Corp.	5,164,421	14,206,095	19,370,516	5,073,659	6,338,298	11,411,957	7,673,144	285,415	7,958,559

(*) LG Chem Ltd. and LG Electronics Inc. each recorded ₩5,364 million and ₩180,080 million, respectively, of assets (liabilities) held for sale as of December 31, 2021.

(5) Summary of profit and loss for associates for the years ended December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2022					
Companies	Revenue	Operating income	Income tax expense	Profit (loss) from discontinued operations after tax	Other comprehensive income (loss)	Total comprehensive income
LG Chem Ltd.	₩ 51,864,888	₩ 2,995,698	₩ 641,482	₩ 24,449	₩ (60,934)	₩ 2,314,584
LG Household & Health Care Ltd.	7,185,759	711,123	159,429	-	7,054	265,394
LG Electronics Inc.	83,467,318	3,550,972	532,307	(144,381)	746,333	2,609,456
LG Uplus Corp.	13,905,990	1,081,260	194,224	-	90,678	753,266

	Year ended December 31, 2021					
Companies	Revenue	Operating income	Income tax expense	Profit (loss) from discontinued operations after tax	Other comprehensive income (loss)	Total comprehensive income
LG Chem Ltd.	₩ 42,599,284	₩ 5,026,370	₩ 1,235,779	₩ 297,653	₩ 847,168	₩ 4,801,072
LG Household & Health Care Ltd.	8,091,511	1,289,630	326,237	-	79,794	940,922
LG Electronics Inc.	73,907,984	4,057,997	1,057,777	(1,366,147)	904,443	2,319,415
LG Uplus Corp.	13,851,135	979,014	180,975	-	(30,368)	693,850

14. DEBENTURES AND BORROWINGS:

(1) Details of short-term borrowings as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Creditor	December 31, 2022 Annual interest rate (%)	December 31, 2022 Amount	December 31, 2021 Amount
Korean currency short-term borrowings	Kookmin Bank and others	6.16–6.78	₩ 278,000	₩ 18,000
Overdraft	Kookmin Bank	-	-	3,902
Foreign currency short-term borrowings	Shinhan Bank and others	1.00–11.15	11,303	19,551
	Total		₩ 289,303	₩ 41,453

(2) Details of long-term borrowings as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Creditor	Annual interest rate (%)	December 31, 2022 Current	December 31, 2022 Non-current (*1)	December 31, 2021 Current	December 31, 2021 Non-current
Korean currency long-term borrowings	Shinhan Bank	2.94	₩ 1,652	₩ 413	₩ 1,652	₩ 2,065
Debentures in Korean won	Public offering bonds and others	1.60–2.83	370,000	150,000	220,000	520,000
	Discount on debentures		(213)	(319)	(110)	(1,027)
	Total		₩ 371,439	₩ 150,094	₩ 221,542	₩ 521,038

(*1) Maturity information on non-current long-term borrowings as of December 31, 2022, is as follows (Unit: Korean won in millions):

Remaining maturity	1 year–2 years	2 years–3 years	More than 3 years
Borrowing amount	₩ 413	₩ -	₩ -

(3) The Group's debentures as of December 31, 2022 and 2021, consist of the following (Unit: Korean won in millions):

Company	Description	Issuance date	Maturity date	Annual interest rate	December 31, 2022	December 31, 2021
LG CNS Co., Ltd.	9-3rd public offering	2015-04-16	2022-04-16	-	₩ -	₩ 50,000
	10-2nd public offering	2017-04-11	2022-04-11	-	-	40,000
	11-2nd public offering	2018-04-11	2023-04-11	2.83%	110,000	110,000
	12-1st public offering	2020-05-14	2023-05-12	1.60%	150,000	150,000
	12-2nd public offering	2020-05-14	2025-05-14	1.75%	50,000	50,000
	12-3rd public offering	2020-05-14	2027-05-14	1.99%	100,000	100,000
D&O Corp.	2-2nd public offering	2017-11-01	2022-11-01	-	-	130,000
	4th public offering	2020-10-23	2023-10-23	1.73%	110,000	110,000
			Subtotal		520,000	740,000
			Discount on debentures		(532)	(1,137)
			Current debentures (*1)		(369,787)	(219,890)
			Total		₩ 149,681	₩ 518,973

(*1) Amount of discount on debentures is deducted.

15. PROVISIONS:

Changes in provisions for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2022							
Description	Beginning balance	Consolidation scope changes	Increase	Usage and others	Reversal	Effect of foreign currency translation	Transfer to held for sale	Ending balance
Provision for construction (product) warranties	₩ 19,168	₩ -	₩ 14,096	₩ (9,198)	₩ (3,843)	₩ (197)	₩ -	₩ 20,026
Restoration liabilities (*)	2,327	-	3,638	(45)	(152)	(5)	-	5,763
Others	12,037	-	41,045	(18,765)	(2,497)	13	-	31,833
Total	₩ 33,532	₩ -	₩ 58,779	₩ (28,008)	₩ (6,492)	₩ (189)	₩ -	₩ 57,622

	Year ended December 31, 2021							
Description	Beginning balance	Consolidation scope changes	Increase	Usage and others	Reversal	Effect of foreign currency translation	Others	Ending balance
Provision for construction (product) warranties	₩ 24,964	₩ 1,260	₩ 17,545	₩ (14,623)	₩ (7,412)	₩ (65)	₩ (2,501)	₩ 19,168
Restoration liabilities (*)	2,693	722	446	(735)	(105)	7	(701)	2,327
Others	14,525	286	8,434	(8,747)	(2,470)	295	(286)	12,037
Total	₩ 42,182	₩ 2,268	₩ 26,425	₩ (24,105)	₩ (9,987)	₩ 237	₩ (3,488)	₩ 33,532

(*) The increase due to the valuation of the present value is included.

16. RETIREMENT BENEFIT PLAN:

(1) Defined contribution plan

The Group partially operates a defined contribution plan for its employees. Obligation of the Group is to make payments to third-party funds, and the benefits for employees are determined by the payments made to the funds and the investment earnings from the funds. Plan asset is managed by the third party and is segregated from the Group's assets.

Contributions to defined contribution plan for the years ended December 31, 2022 and 2021, are ₩55,919 million and ₩47,825 million, respectively, and payable amounts related to defined contribution plans as of December 31, 2022 and 2021, are ₩9,372 million and ₩6,290 million, respectively.

(2) Defined benefit plan

The Group partially operates a defined benefit plan for its employees and, according to the plan, employees will be paid his or her average salary of the final three months multiplied by the number of years vested, adjusted for payment rate and other. The actuarial valuation of plan assets and the defined benefit liabilities are performed by a reputable actuary using the projected unit credit method.

1) As of December 31, 2022 and 2021, amounts recognized in the consolidated statements of financial position related net defined benefit liabilities are as follows (Unit: Korean won in millions):

Description	December 31, 2022		December 31, 2021	
Present value of defined benefit liabilities	₩	121,480	₩	131,994
Fair value of plan assets		(131,292)		(125,631)
Net defined benefit liabilities	₩	(9,812)	₩	6,363

2) Changes in defined benefit obligation for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022		Year ended December 31, 2021	
Beginning balance	₩	131,994	₩	191,190
Current service cost		18,953		26,120
Interest cost		3,401		3,831
Actuarial gain (loss)		(11,924)		9,964
Past service cost		-		503
Effect of foreign currency translation		(14)		25
Benefits paid		(20,978)		(11,662)
Others		48		(542)
Transfer to liabilities held for distribution to owners		-		(2,233)
Transfer to liabilities held for sale		-		(85,694)
Changes in the shares of subsidiaries		-		492
Ending balance	₩	121,480	₩	131,994

3) Income and loss related to defined benefit plan for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022		Year ended December 31, 2021	
Service cost	₩	18,953	₩	26,623
Current service cost		18,953		26,120
Past service cost		-		503
Net interest on the net defined benefit liability		161		346
Interest cost on defined benefit obligation		3,401		3,831
Comprising interest on plan assets		(3,240)		(3,485)
Others		248		298
Total	₩	19,362	₩	27,267

Total costs for the years ended December 31, 2022 and 2021, are included in cost of sales for ₩13,452 million and ₩11,934 million, respectively, in selling and administrative expenses for ₩5,910 million and ₩5,311 million, respectively. In addition, ₩10,022 million of the total cost of the prior period is included in the discontinued operating profit or loss.

4) Changes in fair value of plan assets for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022		Year ended December 31, 2021	
Beginning balance	₩	125,631	₩	177,302
Comprising interest on plan assets		3,240		3,485
Remeasurements – return on plan assets		(964)		(383)
Contributions from the employer		23,903		35,313
Benefits paid		(20,716)		(9,958)
Others		198		(432)
Transfer to liabilities held for distribution to owners		-		(641)
Transfer to liabilities held for sale		-		(79,055)
Ending balance	₩	131,292	₩	125,631

5) All of the plan assets are invested in financial instruments that guarantee principal and interest rate as of December 31, 2022 and 2021.

6) Actuarial assumptions used as of December 31, 2022 and 2021, are as follows:

Description	December 31, 2022	December 31, 2021
Discount rate (%)	5.10–7.45	2.38–6.21
Expected rate of salary increase (%)	3.00–9.79	3.00–9.79

7) The sensitivity analysis of the defined benefit obligation as of December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

	December 31, 2022					
Description	Center scenario		+ 1%		- 1%	
Change in discount rate	₩	121,480	₩	114,245	₩	129,637
Change in rate of salary increase		121,480		129,530		114,196

(*) The above sensitivity is estimated based on the assumption that all the other respective assumptions remain unchanged.

	December 31, 2021					
Description	Center scenario		+ 1%		- 1%	
Change in discount rate	₩	132,026	₩	121,543	₩	141,479
Change in rate of salary increase		132,026		141,118		121,657

(*) The above sensitivity is estimated based on the assumption that all the other respective assumptions remain unchanged.

8) Remeasurement related to net defined benefit liabilities (assets) for the years ended December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022		Year ended December 31, 2021	
Actuarial gains arising from changes in demographic assumptions	₩	(31)	₩	2,276
Actuarial gains (losses) arising from changes in financial assumptions		(20,493)		2,077
Actuarial gains arising from experience		8,919		8,045
Return on plan assets, excluding amounts included in interest income		964		383
Actuarial losses arising from transfer in/out adjustments		(319)		(2,434)
Total	₩	(10,960)	₩	10,347

9) Estimated contributions expected to be paid in the fiscal year beginning after the reporting period are as follows (Unit: Korean won in millions):

Description	2023	
Estimated contributions to plan assets	₩	12,635

17. OTHER LIABILITIES:

Details of other liabilities as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2022				December 31, 2021			
	Current		Non-current		Current		Non-current	
Advance receipts	₩	16,327	₩	-	₩	70,486	₩	-
Advances from lease revenue		-		1,867		-		2,120
VAT withheld		94,387		-		72,975		-
Withholdings		63,051		-		52,040		-
Unearned income		23,307		536		11,935		684
Contract liability		215,255		-		170,545		-
Liability related to government subsidies		2		-		160		-
Other long-term employee benefits		-		20,070		-		19,496
Total	₩	412,329	₩	22,473	₩	378,141	₩	22,300

18. CONTRACT ASSETS AND CONTRACT LIABILITIES:

(1) Contract assets and contract liabilities as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2022		December 31, 2021	
Construction contracts and others	₩	430,850	₩	337,112
Deductions: Allowance for losses		(6,537)		(6,023)
Total	₩	424,313	₩	331,089

Management estimates the allowance for contract assets as the ECL for the whole period in accordance with the practical expedient of K-IFRS 1109. There are no overdue receivables as of December 31, 2022.

No changes in estimates or assumptions in assessing the allowance for contract assets in construction contracts during the current period.

(2) Changes in ECLs of contractual assets during the current period are as follows (Unit: Korean won in millions):

Description		2022
Beginning balance	₩	6,023
Decrease of allowance for loss		514
Ending balance	₩	6,537

As of December 31, 2022, the Group has no overdue receivables out of contract assets. Based on past default experience and future prospects for the clients' businesses, management believes that there are no impaired receivables out of contract assets.

(3) Contract liabilities as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description		December 31, 2022		December 31, 2021
Construction-type contract	₩	153,922	₩	114,735
Equipment supply and maintenance		61,333		55,810
Total	₩	215,255	₩	170,545

No significant change in the balance of contract liabilities during the reporting period.

(4) Revenue recognized in respect of the contract liabilities carried forward for the year ended December 31, 2022, is as follows. No revenue related to performance obligations carried out in prior fiscal year is recognized for the years ended December 31, 2022 and 2021 (Unit: Korean won in millions):

Description		2022
D&O Corp.	₩	12,608
LG CNS Co., Ltd.		155,481
Consolidation adjustments		(6,507)
Total	₩	161,582

(5) The changes in estimates for total contract amount and contract costs relating to contracts recognized in profit or loss over the period by applying the cost-based input method in K-IFRS 1115 have the following effects on current and future profit or loss, contract assets and contract liabilities (Unit: Korean won in millions):

Description		Change in estimated total contract amount		Changes in estimated total contract costs		Effect on current profit or loss		Effect on future profit or loss		Changes in contract assets (liabilities)
LG CNS Co., Ltd.	₩	73,030	₩	111,330	₩	(35,035)	₩	(3,265)	₩	(35,077)
Consolidation adjustments		-		(182)		1		181		1
Total	₩	73,030	₩	111,148	₩	(35,034)	₩	(3,084)	₩	(35,076)

Changes to the above estimates exclude contracts that started in the current period and include contracts that are in progress in the previous period and ended in the current period.

(6) None of the contracts that recognize progress-based revenue made by applying the cost-based input method during current period exceeded 5% of previous sales.

19. ISSUED CAPITAL AND OTHER CAPITAL ITEMS:

(1) Details of issued capital and other capital items as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	December 31, 2022 and 2021						
Type of stock	Number of authorized shares	Number of issued shares	Number of shares owned by related party	Par value (in Korean won)		Amount of issued capital	
Common stock	700,000,000	157,300,993	65,598,735	₩	5,000	₩	786,505
Preferred stock (*)	-	3,021,620	-	₩	5,000	₩	15,108

(*) Preferred stocks are stocks without voting rights that are eligible for an additional 1%, based on the face value of the stock compared to common stocks when receiving cash dividends. In case of no dividend payout, they are granted voting rights for the period from the shareholders' meeting following the meeting of shareholders that resolved not to pay dividends to the date of shareholders' meeting that resolved to pay dividends.

(2) Changes in other capital items for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	2022		2021	
Beginning balance	₩	(1,565,341)	₩	(2,385)
Disposals of treasury stocks		-		2,385
Loss from capital reduction by spin-off		-		(1,559,181)
Acquisitions of treasury stocks		(167,762)		(6,160)
Ending balance	₩	(1,733,103)	₩	(1,565,341)

The Group has 2,180,794 shares of common stock and 10,421 shares of preferred stock as of December 31, 2022, and its carrying amounts of common stocks are ₩173,168 million (preferred stock: ₩754 million). The Group has 49,828 shares of common stock and 10,421 shares of preferred stock as of December 31, 2021, and its carrying amounts of common stocks are ₩5,406 million (preferred stock: ₩754 million).

20. CAPITAL SURPLUS:

(1) Composition of capital surplus as of December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

Description	December 31, 2022		December 31, 2021	
Asset revaluation reserve	₩	338,100	₩	338,100
Paid-up capital in excess of par value		898,266		898,266
Other capital surplus		1,731,325		1,732,938
Total	₩	2,967,691	₩	2,969,304

(2) Changes in capital surplus for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	2022		2021	
Beginning balance	₩	2,969,304	₩	2,964,730
Changes in the shares of subsidiaries		(788)		-
Changes in gain on sale of treasury stock		-		4,574
Others		(825)		-
Ending balance	₩	2,967,691	₩	2,969,304

21. ACCUMULATED OTHER COMPREHENSIVE INCOME:

(1) Details of accumulated other comprehensive income (loss) as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2022		December 31, 2021	
Changes of investment valuation using equity method	₩	2,768,657	₩	117,586
Gain on valuation of other financial assets		43,869		35,453
Loss on valuation of other financial assets		(2,101)		(11,696)
Overseas operations translation		(14,746)		8,287
Loss on valuation of derivatives instruments entered into for cash flow hedge		59		59
Gain and loss on disposals of other financial assets		(132)		(132)
Total	₩	2,795,606	₩	149,557

(2) Changes in investment valuation using equity method for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022		Year ended December 31, 2021	
Beginning balance	₩	117,586	₩	(404,988)
Changes in capital of associates and joint ventures		2,646,184		535,607
Effect on income taxes		4,887		(13,033)
Ending balance	₩	2,768,657	₩	117,586

(3) Changes in gain on valuation of other financial assets for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022		Year ended December 31, 2021	
Beginning balance	₩	35,453	₩	35,928
Changes in gain on valuation of other financial assets		11,158		(1,175)
Effect on income taxes		(2,742)		700
Ending balance	₩	43,869	₩	35,453

(4) Changes in loss on valuation of other financial assets for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022		Year ended December 31, 2021	
Beginning balance	₩	(11,696)	₩	(2,542)
Changes in loss valuation on other financial assets		410		(12,076)
Transfer due to the disposal of other financial assets		9,284		-
Effect on income taxes		(99)		2,923
Ending balance	₩	(2,101)	₩	(11,696)

(5) Changes in overseas operations translation for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022		Year ended December 31, 2021	
Beginning balance	₩	8,287	₩	5,860
Changes in overseas operations translation		(19,235)		2,427
Changes of consolidation scope		(3,798)		-
Ending balance	₩	(14,746)	₩	8,287

(6) There is no change in the valuation loss of cash flow hedge derivatives during the current and prior periods.

22. RETAINED EARNINGS AND DIVIDENDS:

Changes in retained earnings for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	2022		2021	
Beginning balance	₩	18,891,414	₩	16,782,359
Profit for the year attributable to the owners of the Company		1,979,569		2,565,453
Dividends (*)		(448,885)		(439,593)
Remeasurement of net defined benefit liability		8,131		(7,966)
Changes in retained earnings by equity method		199,603		(8,103)
Transfer due to the disposal of other financial assets		(9,284)		-
Changes in the shares of subsidiaries		-		(736)
Ending balance	₩	20,620,548	₩	18,891,414

(*) Details of dividends for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2022						
Type of stock	Number of issued shares	Number of treasury stocks	Number of dividend shares	Dividend per share (Korean won)		Total dividends (Korean won in millions)	
Common stock	157,300,993	49,828	157,251,165	₩	2,800	₩	440,303
Preferred stock	3,021,620	10,421	3,011,199		2,850		8,582

	Year ended December 31, 2021						
Type of stock	Number of issued shares	Number of treasury stocks	Number of dividend shares	Dividend per share (Korean won)		Total dividends (Korean won in millions)	
Common stock	172,557,131	93,789	172,463,342	₩	2,500	₩	431,158
Preferred stock	3,314,677	6,810	3,307,867		2,550		8,435

23. PROFIT (LOSS) FROM OPERATIONS:

Details of profit (loss) from operations for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue and gain (loss) valuation by equity method		
Sales of goods	₩ 1,005,453	₩ 817,788
Service revenue	2,238,380	1,840,648
Construction revenue	2,040,906	1,714,516
Gain on valuation by equity method	1,302,911	1,947,269
Other revenue	598,337	538,789
	7,185,987	6,859,010
Cost of sales		
Cost of sales of goods	879,221	724,243
Cost of sales of service	1,757,602	1,459,867
Cost of sales of construction	1,738,925	1,445,599
Cost of sales of others	477,441	435,738
	4,853,189	4,065,447
Gross profit	2,332,798	2,793,563
Selling and administrative expenses		
Salaries and wages	166,357	152,567
Retirement benefits	14,120	12,152
Welfare	30,476	32,520
Amusement expenses	4,922	3,080
Depreciation	18,078	15,375
Amortization of intangible assets	9,728	9,383
Taxes and dues	8,659	7,078
Advertising expenses	7,110	5,575
Usual development expenses	47,841	34,661
Commission	24,646	18,323
Insurance premium	469	1,398
Transportation expenses	61	44
Travel expenses	2,899	1,791
Service contract expenses	33,939	19,882
Rental expenses	3,872	5,818
Allowance (reversal) of bad debt	(4,009)	762
Allowance (reversal) for accrual of provision	3,790	501
Others	18,460	12,549
	391,418	333,459
Operating income	₩ 1,941,380	₩ 2,460,104

24. CLASSIFICATION OF EXPENSES BY NATURE:

Details of expenses by nature for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2022			
Account	Changes in inventories	Selling and administrative expenses	Manufacturing (sales) cost	Nature of expenses
Changes in inventories	₩ (4,169)	₩ -	₩ 1,286,450	₩ 1,282,281
Merchandise	(4,008)	-	885,765	881,757
Other inventories	(161)	-	400,685	400,524
Used raw material	-	-	7,743	7,743
Employee benefits	-	210,953	898,338	1,109,291
Depreciation and amortization	-	27,806	150,725	178,531
Commission expenses	-	24,646	221,442	246,088
Lease expenses	-	3,872	231,359	235,231
Professional fees	-	33,939	1,472,700	1,506,639
Other expenses and consolidation adjustments	-	90,202	588,601	678,803
Total	₩ (4,169)	₩ 391,418	₩ 4,857,358	₩ 5,244,607

	Year ended December 31, 2021			
Account	Changes in inventories	Selling and administrative expenses	Manufacturing (sales) cost	Nature of expenses
Changes in inventories	₩ (16,681)	₩ -	₩ 999,648	₩ 982,967
Work in process	893	-	-	893
Merchandise	(17,808)	-	733,041	715,233
Other inventories	234	-	266,607	266,841
Used raw material	-	-	5,446	5,446
Employee benefits	-	197,240	781,746	978,986
Depreciation and amortization	-	24,758	137,483	162,241
Commission expenses	-	18,323	234,094	252,417
Lease expenses	-	5,818	114,977	120,795
Professional fees	-	19,882	1,234,219	1,254,101
Other expenses and consolidation adjustments	-	67,438	574,515	641,953
Total	₩ (16,681)	₩ 333,459	₩ 4,082,128	₩ 4,398,906

25. FINANCIAL INCOME AND FINANCIAL EXPENSES:

(1) Financial income for the years ended December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2022		Year ended December 31, 2021	
Interest income	₩	70,074	₩	27,493
Dividend income		843		1,576
Gain on foreign currency transaction		4,729		1,607
Gain on foreign currency translation		522		221
Gain on valuation of other financial assets		277		649
Gain on disposal of other financial assets		48,860		12,273
Total	₩	125,305	₩	43,819

(2) Interest income included in financial income for the years ended December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2022		Year ended December 31, 2021	
Financial institution deposits and others	₩	66,289	₩	25,152
Other loans and receivables		3,785		2,341
Total	₩	70,074	₩	27,493

(3) Financial expenses for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2022		Year ended December 31, 2021	
Interest expenses	₩	20,422	₩	23,099
Loss on foreign currency transaction		4,024		2,157
Loss on foreign currency translation		1,671		773
Loss on valuation and transactions of derivatives		511		974
Loss on valuation of other financial assets		1,322		136
Impairment loss of other financial assets		71		18
Total	₩	28,021	₩	27,157

(4) Interest expenses included in financial expenses for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Account	Year ended December 31, 2022		Year ended December 31, 2021	
Bank overdrafts and loan interest	₩	3,830	₩	1,327
Interest expenses related to debentures		14,695		19,292
Interest expenses of lease liabilities		4,375		3,856
Other interest expenses		1,141		2,107
Less: Capitalized interest expenses included in qualified assets (*)		(741)		(727)
Subtotal		23,300		25,855
Consolidation adjustment		(2,878)		(2,756)
Consolidated total	₩	20,422	₩	23,099

(*) Capitalization interest rates used for the years ended December 31, 2022 and 2021, are 1.73%–2.99%, respectively.

26. OTHER NON-OPERATING INCOME AND EXPENSES:

Other non-operating income and expenses for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022		Year ended December 31, 2021	
Other non-operating income				
Rental income	₩	3,268	₩	2,886
Commission income		615		617
Gain on insurance settlement		-		3,483
Gain on foreign currency transaction		17,395		8,622
Gain on foreign currency translation		4,077		2,811
Gain on disposals of property, plant and equipment		15,778		21,223
Gain on disposals of investment property		-		85,006
Gain on disposals of intangible assets		791		-
Gain on transactions of derivatives		10,251		4,968
Gain on valuation of derivatives		11,442		2,038
Gain on disposals of investments in associates		19,118		10,250
Miscellaneous income		3,332		7,449
Reversal of impairment losses on intangible assets		329		-
Reversal of bad debt for other accounts receivable		2,427		1
Reversal of impairment loss of investments in associates		-		2
Others		293		2,273
Total	₩	89,116	₩	151,629

Description	Year ended December 31, 2022		Year ended December 31, 2021	
Other non-operating expenses				
Loss on foreign currency transaction	₩	15,429	₩	6,803
Loss on foreign currency translation		9,916		1,806
Loss on disposals of property, plant and equipment		272		299
Loss on disposals of intangible assets		262		12
Loss on transactions of derivatives		27,398		12,315
Loss on valuation of derivatives		1,346		2,564
Loss on disposals of investments in associates		2,240		1,671
Impairment losses of investments in associates		9,875		199,459
Loss on disposals of investments in subsidiaries		18		17
Donations and contributions		2,042		1,952
Other bad debt expenses		149		768
Disaster loss		62		14
Impairment losses of intangible assets		10,370		2,684
Impairment losses of property, plant and equipment		1,278		5,468
Miscellaneous loss		874		291
Others		631		1,287
Total	₩	82,162	₩	237,410

27. NET GAINS (LOSSES) FROM FINANCIAL INSTRUMENTS:

Net gains (losses) from financial instruments for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022	Year ended December 31, 2021
Financial assets:		
Cash and cash equivalents	₩ 55,725	₩ 22,582
Financial assets measured at FVTPL	68,858	8,234
Financial assets measured at FVTOCI	11,772	(8,287)
Financial assets measured at amortized cost	21,793	6,776
Subtotal	158,148	29,305
Financial liabilities:		
Financial liabilities measured at FVTPL	(28,624)	(3,579)
Financial liabilities measured at amortized cost	(24,414)	(25,287)
Subtotal	(53,039)	(28,866)
Total	₩ 105,110	₩ 439

28. INCOME TAX:

(1) Composition of income tax expense for the years ended December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022	Year ended December 31, 2021
Current income tax	₩ 194,906	₩ 311,547
Adjustment related to prior income tax expense	709	8,360
Income tax expense due to changes in temporary differences related to profit and loss (*):	339,570	(27,679)
Foreign currency translation effects	(231)	651
Beginning deferred tax liabilities due to temporary differences	(111,300)	(84,674)
Ending deferred tax liabilities due to temporary differences	(451,351)	(111,300)
Deferred tax directly reflected in equity	(250)	(7,202)
Classified as assets held for sale	-	47,754
Income tax directly reflected in equity	-	(1,460)
Others and consolidation adjustments	(8,102)	(81,517)
Income tax expense for continuing operations	₩ 527,083	₩ 209,251

(*) The effect of the change in deferred tax due to the revision of the tax law during the current period is ₩287,508 million.

(2) Changes in deferred tax assets (liabilities) for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022 Beginning balance	Net changes	Ending balance
Temporary differences:			
Cash flow hedging derivatives	₩ 228	₩ (2,570)	₩ (2,342)
Investments in subsidiaries, associates and joint ventures	(20,316)	(111,605)	(131,921)
Property, plant and equipment	33,667	4,629	38,296
Intangible assets	102	(409)	(307)
Other financial assets	(2,411)	(10,208)	(12,619)
Provisions	26,286	(3,264)	23,022
Doubtful receivables	960	(135)	825
Other financial liabilities	4,942	(1,183)	3,759
Others	(20,102)	26,161	6,059
Tax deficit and tax credits:			
Tax deficit	-	1,469	1,469
Others	3,606	(1,023)	2,583
Deferred tax assets (liabilities)	26,962	(98,138)	(71,176)
Others and consolidation adjustment	(138,262)	(241,913)	(380,175)
Consolidated balance	₩ (111,300)	₩ (340,051)	₩ (451,351)

Description	Year ended December 31, 2021 Beginning balance	Net changes	Ending balance
Temporary differences:			
Cash flow hedging derivatives	₩ (480)	₩ 708	₩ 228
Investments in subsidiaries, associates and joint ventures	(67,279)	46,963	(20,316)
Property, plant and equipment	27,541	6,126	33,667
Intangible assets	(34)	136	102
Other financial assets	(5,540)	3,129	(2,411)
Provisions	29,429	(3,143)	26,286
Doubtful receivables	960	-	960
Other financial liabilities	3,431	1,511	4,942
Others	18,630	(38,732)	(20,102)
Tax deficit and tax credits:			
Tax deficit	-	-	-
Others	(373)	3,979	3,606
Deferred tax assets	6,285	20,677	26,962
Others and consolidation adjustment	(90,959)	(47,303)	(138,262)
Consolidated balance	₩ (84,674)	₩ (26,626)	₩ (111,300)

(3) Details of income tax that are directly reflected to the capital for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022		Year ended December 31, 2021	
Valuation gain (loss) of other financial assets	₩	(2,838)	₩	3,420
Remeasurement of defined benefit plans		(2,299)		2,411
Change of capital from equity method		4,887		(13,033)
Total	₩	(250)	₩	(7,202)

(4) As of December 31, 2022 and 2021, the details of deductible temporary differences, tax deficit and tax credits unused that were not recognized as deferred tax assets are as follows (Unit: Korean won in millions):

Description	December 31, 2022		December 31, 2021	
Temporary differences	₩	1,357	₩	2,270
Tax deficit		19,605		24,156
Tax credits unused		194		165

(5) As of December 31, 2022 and 2021, temporary differences related to investment assets in subsidiaries and associates unrecognized as deferred tax assets (liabilities) are as follows (Unit: Korean won in millions):

Description	December 31, 2022		December 31, 2021	
Investments in subsidiaries	₩	(1,712,553)	₩	(1,556,109)
Investments in associates		(1,083,037)		1,557,684
Total	₩	(2,795,590)	₩	1,575

29. EARNINGS PER SHARE:

(1) Net income per share for the years ended December 31, 2022 and 2021, is as follows (Unit: Korean won):

Description	December 31, 2022		December 31, 2021	
Basic earnings per share of common share				
Continuing operation	₩	8,674	₩	12,469
Discontinued operation		3,748		3,035
Total basic earnings per share of common share	₩	12,422	₩	15,504
Basic earnings per share of Pre-1996 Commercial Law Amendment preferred share (*)				
Continuing operation	₩	8,724	₩	12,519
Discontinued operation		3,748		3,035
Total basic earnings per share of Pre-1996 Commercial Law Amendment preferred share	₩	12,472	₩	15,554

(*) Basic earnings per share are calculated for preferred share, which K-IFRS 1033, *Earnings Per Share,* clarifies as common share, such as having no priority rights for dividend of profit and distribution of residual property.

(2) Net income and weighted-average number of shares used to calculate earnings per share of common share for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022	Year ended December 31, 2021
Profit for the year attributable to owners of the Company	₩ 1,979,569	₩ 2,565,453
Less: Dividends for Pre-1996 Commercial Law Amendment preferred share	(8,582)	(7,935)
Less: Pre-1996 Commercial Law Amendment preferred stock portion of residual profit	(28,973)	(40,467)
Net income used to calculate basic earnings per share of common share	1,942,014	2,517,051
Profit from continuing operations used for continuing operations' basic earnings per share of common share	1,356,084	2,024,256
Discontinued operations' profit used for discontinued operations' basic earnings per share of common share	585,930	492,795
Weighted-average number of common shares	156,340,171 shares	162,348,495 shares

(3) Net income and weighted-average number of shares used to calculate earnings per share of Pre-1996 Commercial Law Amendment preferred share for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022	Year ended December 31, 2021
Dividends for Pre-1996 Commercial Law Amendment preferred share and Pre-1996 Commercial Law Amendment preferred stock portion of residual profit	₩ 37,555	₩ 48,402
Net income used to calculate basic earnings per share of Pre-1996 Commercial Law Amendment preferred share	37,555	48,402
Profit from continuing operations used for continuing operations' Pre-1996 Commercial Law Amendment preferred earnings per share of preferred share	26,270	38,956
Discontinued operations' profit used for discontinued operations' Pre-1996 Commercial Law Amendment preferred earnings per share of preferred share	11,285	9,446
Weighted-average number of Pre-1996 Commercial Law Amendment preferred shares	3,011,199 shares	3,111,860 shares

(4) As there are no potential common shares of the Group, diluted earnings per share of common shares and Pre-1996 Commercial Law Amendment preferred shares are equal to basic earnings per share.

30. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of December 31, 2022 and 2021, are as follows:

December 31, 2022

Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
Associates:		
Tmoney Co., Ltd.	Tmoney CS Partners	T money Asia sdn bhd and others
	SMDev.Co., Ltd.	
Songdo U-Life LLC	U-Life Solutions	
	Songdo International Sports Club LLC	
Daegu Clean Energy Co., Ltd.		
CloudGram Corp.		
Korea DRD Corp.		
Hempking Corp.		
danbee Inc.		
bithumb META Co., Ltd. (*2)		
SEJONG SMART CITY CO., LTD. (*2)		
Recaudo Bogota S.A.S.		
Hellas SmarTicket Societe Anonyme		
Dongnam Solar Energy Co., Ltd.		
SERVEONE Co., Ltd	Officedepo Korea Co.,Ltd. (*4)	SERVEONE(Nanjing).Co. ,LTD. and others
XI C&A Co., Ltd. (formerly S&I Engineering & Construction Co., Ltd.) (*3)		Zeit C&A Vietnam construction Co.,Ltd and others (*6)
S&I Corp. (formerly S&I Atxpert) (*3)	DREAMNURI CO. LTD (*5)	
LG Electronics Inc.	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others
	Hi-M Solutec Co., Ltd.	
	HITeleservice Co., Ltd.	
	Ace R&A Co., Ltd.	
	LG Innotek Co., Ltd.	
	Innowith	
	Hanuri	
	ZKW Lighting Systems Korea Co., Ltd.	
	Hi-Caresolution Corp.	
	LG Magna e-Powertrain Co., Ltd.	
	APPLEMANGO CO.,LTD (*7)	
LG Chem Ltd.	Haengboknuri	LG Chem America, Inc. and others
	LGBCM	
	FarmHannong Co., Ltd.	
	LG Energy Solution, Ltd.	
	Aremnuri. Co. Ltd	
LG Uplus Corp.	CS Leader	DACOM America Inc. and others
	Ain Teleservice	
	CS One Partner	
	Medialog Corp.	
	With U Co., Ltd.	
	LG HelloVision Corp.	
	UPLUS HOMESERVICE	
	CV Partners Co,. Ltd.	
	Murex Wave Active Senior Venture Fund	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.	Beijing LG Household Chemical Co., Ltd. and others
	Hankook Beverage Co., Ltd.	
	HAITAI HTB CO., LTD.	
	Balkeunnuri Co., Ltd.	
	Fmji Co., Ltd.	
	LG Farouk Co.	
	Taegeuk Pharmaceutical Co., Ltd.	
	Ulleung Spring Water Co., Ltd.	
	RUCIPELLO KOREA INC.	
	MiGenstory Co. Ltd	
	Gowoonnuri	
	Konjiam Yewon Co., Ltd. (*8)	
GIIR Corporation	HS Ad Co., Ltd.	GIIR America Inc. and others
	L. Best	

December 31, 2022		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
ZKW Holding GmbH	ZKW Lighting Systems Korea Co., Ltd.	ZKW Group GmbH. and others
ZKW Austria Immobilien Holding GmbH		ZKW Austria Immobilien GmbH
Other related parties' affiliates by the Act(*9):		
LG Display Co., Ltd.	Nanumnuri Co., Ltd.	LG Display Nanjing Co., Ltd. and others
Robostar Co., Ltd.		ROBOSTAR(SHANGHAI) CO., LTD.
SEETEC Co., Ltd.		
DACOM Crossing Corporation		
FITNESSCANDY CO.,LTD(*10)		

(*1) Joint ventures of associates are excluded.
(*2) It was classified as affiliate due to the acquisition of shares during the current year.
(*3) It was classified as affiliate due to the disposal of shares during the current period.
(*4) It was classified as a subsidiary of Serveone Co., Ltd. due to the acquisition of shares during the current year.
(*5) It is a subsidiary of S&I Corp. classified as an associate due to the disposal of shares during the current year.
(*6) It is a subsidiary of XI C&A Co., Ltd. classified as an associate due to the disposal of shares during the current year.
(*7) It was classified as subsidiary of LG Electronics Inc. due to the acquisition of shares during the current year.
(*8) It was classified as subsidiary of LG Household & Health Care Ltd. due to the disposal of shares during the current year.
(*9) These companies are not related parties as defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.
(*10) It was incorporated as related parties during current year.

December 31, 2021		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
Associates:		
Tmoney Co., Ltd.	Tmoney CS Partners	T money Asia sdn bhd and others
	SMDev.Co., Ltd.	
Songdo U-Life LLC	U-Life Solutions	
	Songdo International Sports Club LLC	
Daegu Clean Energy Co., Ltd.		
CloudGram Corp.		
Korea DRD Corp.		
Hempking Corp.		
Danbee Inc.		
Recaudo Bogota S.A.S.		
Hellas SmarTicket Societe Anonyme		
Dongnam Solar Energy Co., Ltd.		
SERVEONE Co., Ltd		SERVEONE(Nanjing).Co. ,LTD. and others
LG Electronics Inc.	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others
	Hi-M Solutec Co., Ltd.	
	HITeleservice Co., Ltd.	
	Ace R&A Co., Ltd.	
	LG Innotek Co., Ltd.	
	Innowith	
	Hanuri	
	ZKW Lighting Systems Korea Co., Ltd.	
	Hi-Caresolution Corp.(*2)	
	LG Magna e-Powertrain Co., Ltd.(*3)	
LG Chem Ltd.	Haengboknuri	LG Chem America, Inc. and others
	LGBCM(*4)	
	FarmHannong Co., Ltd.	
	LG Energy Solution, Ltd.	
	Aremnuri. Co. Ltd(*5)	
LG Uplus Corp.	CS Leader	DACOM America Inc. and others
	Ain Teleservice	
	CS One Partner	
	Medialog Corp.	
	With U Co., Ltd.	
	LG HelloVision Corp.	
	UPLUS HOMESERVICE	
	CV Partners Co,. Ltd.	

December 31, 2021		
Entities with direct ownership	Subsidiaries of entities with direct ownership (domestic) (*1)	Subsidiaries of entities with direct ownership (overseas) (*1)
	Murex Wave Active Senior Venture Fund(*6)	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.	Beijing LG Household Chemical Co., Ltd. and others
	Hankook Beverage Co., Ltd.	
	HAITAI HTB CO., LTD.	
	Balkeunnuri Co., Ltd.	
	Fmji Co., Ltd.	
	LG Farouk Co.	
	Taegeuk Pharmaceutical Co., Ltd.	
	Ulleung Spring Water Co., Ltd.	
	RUCIPELLO KOREA INC.	
	MiGenstory Co. Ltd	
	LOA Korea Co., Ltd. (*7)	
	Gowoonnuri (*8)	
GIIR Corporation	HS Ad Co., Ltd.	GIIR America Inc. and others
	L. Best	
LG Hitachi Co., Ltd.(*9)		
ZKW Holding GmbH	ZKW Lighting Systems Korea Co., Ltd.	ZKW Group GmbH. and others
ZKW Austria Immobilien Holding GmbH		ZKW Austria Immobilien GmbH
Other related parties' affiliates by the Act(*11):		
LG Display Co., Ltd.	Nanumnuri Co., Ltd.	LG Display Nanjing Co., Ltd. and others
Robostar Co., Ltd.		ROBOSTAR(SHANGHAI) CO., LTD.
SEETEC Co., Ltd.		
DACOM Crossing Corporation		
LX Holdings Corp.(*10)		
LX HAUSYS, LTD.(formerly LG HAUSYS, LTD.)(*10)	GREENNURI CO., LTD	LX Hausys America, Inc. and others
LX Semicon Co., Ltd.(formerly Silicon Works Co., Ltd.)(*10)		LX Semicon U.S.A. Inc. and others
LX INTERNATIONAL CORP.(formerly LG International Corp.)(*10)	Dangjin Tank Terminal	LX International (America) Inc. and others
	LX Pantos Co., Ltd.	
	Pantos Busan Newport Logistics Center Co., Ltd.	
	Helistar Air Co., Ltd.	
	Hanultari Co., Ltd.	
LX MMA Corp.(formerly LG MMA Corp.)(*10)		

(*1) Joint ventures of associates are excluded.
(*2) Newly established by spin-off from Hi-M Solutec Co., Ltd. during the prior period.
(*3) Newly established as subsidiary of LG Electronics Inc. during the prior period.
(*4) Newly established as subsidiary of LG Chem Ltd. during the prior period.
(*5) Newly established as subsidiary of LG Energy Solution, Ltd. during the prior period.
(*6) Newly established as subsidiary of LG Uplus Corp. during the prior period.
(*7) It was liquidated during the current year.
(*8) Newly established as subsidiary of Coca-Cola Beverage Co. during the current period.
(*9) It was sold during the current year.
(*10) As of June 21, 2022, it was excluded from related parties.
(*11) These companies are not related parties as defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

(2) Transactions between the parent company and subsidiaries are eliminated before consolidation, and the details of other transactions with related parties for the years ended December 31, 2022 and 2021, are as follows:

1) Sale and purchase of goods and services for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022 Revenue and others (*1)(*3)	Purchase of raw material	Acquisitions of property, plant and equipment and intangible assets	Other purchase (*4)
Associates and their subsidiaries:				
Tmoney Co., Ltd.	₩ 22,846	₩ -	₩ -	₩ 1,137
LG Chem Ltd. (*2)	1,279,410	11,676	-	8,902
LG Household & Health Care Ltd. (*2)	74,247	165	4	3,957
LG Electronics Inc. (*2)	1,416,410	595	175	144,784
LG Uplus Corp. (*2)	579,078	-	12	28,635
LG Hitachi Co., Ltd.	245	-	-	507
GIIR Corporation (*2)	11,265	-	1,267	17,078
LX Hausys, Ltd.(formerly LG Hausys, Ltd.)(*2)	-	-	-	-
LX Semicon Co., Ltd.(formerly Silicon Works Co., Ltd.)	-	-	-	-
Dongnam Solar Energy Co., Ltd.	480	-	-	-
LX International Corp.(formerly LG International Corp.)(*2)	-	-	-	-
Serveone Co., Ltd.(*2)	20,966	10,190	391	3,813
CloudGram Corp.	-	-	-	3,729
Korea DRD Corp.	620	-	-	587
Hempking Corp.	-	-	-	137
Hellas SmarTicket Societe Anonyme	783	-	-	-
RECAUDO BOGOTA S.A.S	21,008	-	-	-
XI C&A Co., Ltd.(*2)	11,090	-	8,157	1,130
S&I Corp.(*2)	19,593	-	5,844	86,554
bithumb META Co., Ltd.	6,711	-	-	-
SEJONG SMART CITY CO., Ltd.	1,926	-	-	-
Joint ventures:				
LX MMA Corp.(formerly LG MMA Corp.)	-	-	-	-
Other related parties' affiliates by the Act: (*5)				
LG Display Co., Ltd. and others(*2)	527,914	-	-	319
Robostar Co., Ltd.	4	-	-	-
SEETEC Co., Ltd.	2	-	-	-
LX Holdings Corp. and others	97,896	-	-	1,038
Total	₩ 4,092,494	₩ 22,626	₩ 15,850	₩ 302,307

Description	Year ended December 31, 2021 Revenue and others (*1)(*3)	Purchase of raw material	Acquisitions of property, plant and equipment and intangible assets	Other purchase (*4)
Associates and their subsidiaries:				
Tmoney Co., Ltd.	₩ 21,799	₩ -	₩ -	₩ 1,273
LG Chem Ltd. (*2)	1,606,579	8,527	1,817	3,933
LG Household & Health Care Ltd. (*2)	87,981	53	-	3,719
LG Electronics Inc. (*2)	1,435,510	7,344	1,577	171,359
LG Uplus Corp. (*2)	552,390	-	-	27,913
LG Hitachi Co., Ltd.	283	-	-	626
GIIR Corporation (*2)	9,699	-	1,353	15,497
LX Hausys, Ltd. (*2)	22,934	-	-	226
LX Semicon Co., Ltd.	2,770	-	-	-
Dongnam Solar Energy Co., Ltd.	466	-	-	-
LX International Corp. (*2)	23,249	-	-	58
Serveone Co., Ltd.(*2)	17,937	21,043	1,243	20,566
CloudGram Corp.	25	-	-	2,052
Korea DRD Corp.	1,610	-	-	774
Hempking Corp.	-	-	-	75
Hellas SmarTicket Societe Anonyme	8,117	-	-	-
RECAUDO BOGOTA S.A.S	11,272	-	-	-
Joint ventures:				
LX MMA Corp	2,999	-	-	-
Other related parties' affiliates by the Act: (*5)				
LG Display Co., Ltd. and others(*2)	829,571	-	-	463
LX Holdings Corp. and others	127,276	-	567	2,548
Total	₩ 4,762,467	₩ 36,967	₩ 6,557	₩ 251,082

(*1) Dividends received from associates are disclosed in Note 13.

(*2) Includes transactions with their subsidiaries.

(*3) The net increase or decrease in contract assets and contract liabilities for LG Electronics Inc. in addition to the above transaction details during the current period decreased by ₩30,938 million, and contract assets of ₩170,212 million and contract liabilities of ₩117,639 million are recorded as of December 31, 2022.

(*4) In addition to the transaction details above, right-of-use assets of ₩2,434 million and lease liabilities of ₩2,452 million for LG Electronics Co., Ltd. and others are recorded as of December 31, 2022.

(*5) These companies are not related parties defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

2) Outstanding receivables and payables from sale and purchase of goods and services as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	December 31, 2022					
Description	Account receivables and others (*1)		Loans		Account payables and others (*2)	
Associates and their subsidiaries:						
Tmoney Co., Ltd.	₩	2,372	₩	-	₩	163
LG Chem Ltd. (*3)		532,772		-		16,429
LG Household & Health Care Ltd. (*3)		5,190		-		8,145
LG Electronics Inc. (*3)		363,587		-		62,153
LG Uplus Corp. (*3)		132,718		-		16,546
LG Hitachi Co., Ltd.		-		-		-
GIIR Corporation (*3)		6,476		-		21,812
Dongnam Solar Energy Co., Ltd.		22		538		-
Serveone Co., Ltd.(*3)		7,223		-		961
CloudGram Corp.		-		-		49
Korea DRD Corp.		-		-		-
Hellas SmarTicket Societe Anonyme		121		-		-
RECAUDO BOGOTA S.A.S.(*4)		20,384		-		-
XI C&A Co., Ltd.(*3)		2,393		-		5,827
S&I Corp.(*3)		3,700		-		6,680
SEJONG SMART CITY CO., Ltd.		1,257		-		-
Other related parties' affiliates by the Act: (*5)						
LG Display Co., Ltd. and others(*3)		105,817		-		14,998
Robostar Co., Ltd.		1		-		-
LX Holdings Corp. and others		-		-		-
Total	₩	1,184,033	₩	538	₩	153,763

Description	December 31, 2021 Account receivables and others (*1)	Loans	Account payables and others (*2)
Associates and their subsidiaries:			
Tmoney Co., Ltd.	₩ 2,741	₩ -	₩ 71
LG Chem Ltd. (*3)	622,707	-	31,463
LG Household & Health Care Ltd. (*3)	7,122	-	10,729
LG Electronics Inc. (*3)	404,341	-	116,521
LG Uplus Corp. (*3)	111,097	-	19,621
LG Hitachi Co., Ltd.	112	-	353
GIIR Corporation (*3)	6,521	-	19,427
Dongnam Solar Energy Co., Ltd.	20	385	-
Serveone Co., Ltd.(*3)	4,421	-	15,415
CloudGram Corp.	28	-	4
Korea DRD Corp.	-	-	54
Hellas SmarTicket Societe Anonyme	3,028	-	-
RECAUDO BOGOTA S.A.S.(*4)	24,324	-	-
Other related parties' affiliates by the Act: (*5)			
LG Display Co., Ltd. and others(*3)	370,052	-	16,196
LX Holdings Corp. and others	31,097	-	23,533
Total	₩ 1,587,611	₩ 385	₩ 253,387

(*1) Receivables from related parties are composed of mainly trade receivables and other receivables arising from sales transactions.

(*2) Payables to related parties are composed of mainly trade payables and other payables arising from purchase transactions.

(*3) Includes transactions with their subsidiaries.

(*4) Provision for bad debts of ₩180 million and ₩4,334 million are recognized as of December 31, 2022 and 2021, respectively.

(*5) These companies are not related parties defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

3) Fund transactions with the related parties for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2022					
	Reduction of capital	Sale of interests	Loans		Borrowings	
Description			Loans	Payback	Borrowings	Repayments
Associates:						
Dongnam Solar Energy Co., Ltd.	₩ -	₩ -	₩ 153	₩ -	₩ -	₩ -
bithumb META Co., Ltd.	3000	-	-	-	-	-
SEJONG SMART CITY CO., Ltd.	14,562	-	-	-	-	-
LG Household & Health Care Ltd.(*1)	-	1312	-	-	-	-
Total	₩ 17,562	₩ 1,312	₩ 153	₩ -	₩ -	₩ -

(*1) During the current period, all shares (90%) of Konjiam Yewon Co., Ltd. were disposed.

	Year ended December 31, 2021					
	Reduction of capital	Sale of interests	Loans		Borrowings	
Description			Loans	Payback	Borrowings	Repayments
Associates:						
Ulleungdo Natural Energy Independent Island Co., Ltd. (*1)	₩ -	₩ 2	₩ -	₩ -	₩ -	₩ -
Serveone Co., Ltd.	79,840	-	-	-	-	-
Dongnam Solar Energy Co., Ltd.	-	-	210	-	-	-
Total	₩ 79,840	₩ 2	₩ 210	₩ -	₩ -	₩ -

(*1) It was sold during the prior period and excluded from related parties.

(3) The compensation and benefits for the Group's key managements (registered executives, including non-permanent and non-registered executives) who have significant control and responsibility on planning, operating and controlling the activities of the Group for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

(4)

Description	Year ended December 31, 2022	Year ended December 31, 2021
Short-term employee benefits	₩ 76,791	₩ 81,586
Severance benefits	9,203	8,593
Other long-term employee benefits	8	5
Total	₩ 86,002	₩ 90,184

(5) Details of payment guarantees provided to related parties as of December 31, 2022, are as follows (Unit: EUR and Korean won in millions):

Company provided	Details	Insurance company	Limit amount	Limit amount (Korean won)	Warranty
Hellas SmarTicket Societe Anonyme	Payment guarantees	The Export-Import Bank of Korea	EUR 28,000,000	₩ 37,834	2016.03.04 - 2027.03.04

31. FUNDING ARRANGEMENTS AND PLEDGING:

(1) As of December 31, 2022, commitments related to the Group's funding are as follows (Unit: Korean won in millions):

Category	Limit		Used	
Import and export comprehensive	₩	35,484	₩	10,766
Import		6,337		-
Overdraft		28,000		-
Credit line		5,000		-
Corporate facility fund borrowings		29,209		10,065
Working capital borrowings		337,196		281,344
Forwards		122,640		28,914
Receivable-backed borrowings		106,000		28
Other borrowing agreements		109,000		4,098

(2) Restricted financial assets as of December 31, 2022, are as follows (Unit: Korean won in millions):

Account	December 31, 2022		Remark
Short-term financial institution deposits	₩	105	Deposit related to guarantee insurance
Long-term financial institution deposits		348,898	Win-Win Cooperation Fund, Shared-Growth cooperation Fund, Treasury stock acquisition trust and others
Long-term deposits		22	Deposits for overdraft accounts and others

(3) Details of pledging as of December 31, 2022, are as follows:

Provider	Recipient	Details
D&O Corp.	NongHyup Bank	₩873 million of associate stock (Dongnam Solar Energy Co., Ltd.) provided as pledged to project financing.
LG CNS Co., Ltd.	Korea Software Financial Cooperative	₩1,341 million of capital stock investment provided as mortgage.
	Engineering Guarantee Insurance	₩775 million of capital stock investment provided as mortgage.
LG Sports Co., Ltd.	KB Bank	Provide land and building as collateral (book value: ₩86,737 million and maximum pledge amount: ₩48,000 million).

(4) The Group provides the following performance guarantees to customers by insuring guarantee insurance against fulfillment of a contract and warranty as of December 31, 2022 (Unit: Korean won in millions):

Description	Provider	Amounts of guarantees		Insurance company
Guarantee of contract and warranties, etc.	S&I Corp., LG CNS Co., Ltd. and others	₩	75,071	Seoul Guarantee Insurance Company
			464,689	Korea Software Financial Cooperative
			148,765	Construction Guarantee Cooperative
			4,311	The Export-Import Bank of Korea
			36,134	Shinhan Bank and others
Total		₩	728,970	

(5) Other terms and conditions

1) The Group has entered into an agreement jointly with Gwangmyeong Electric Co., Ltd. and Daekyung Enertech Co., Ltd. to pay the shortfall to the sales reserve account when the annual photovoltaic power generation revenue is less than certain amount regarding Nonghyup Bank's borrowings (₩6.4 billion) of Dongnam Solar Energy Co., Ltd., an associate.

2) The Group has an agreement to pay to the ClearLink Business Services Limited by applying certain percentage to the shortfall if the average annual gross profit from transactions within the scope of the Group does not reach the agreed standard when selling for shares in SERVEONE Co., Ltd.

3) When trading with Crystal Korea Limited (investor) for some of LG CNS Co., Ltd.' shares (35% of the total number of shares generated), the Group has an agreement to propose a recovery plan for the shortfall if it does not meet the investor's certain return.

4) When selling shares of S&I Corp. (formerly S&I Atxpert), the Group has an agreement to compensate the buyer's damages incurred for a specific reason for three years from the closing date of the transaction by multiplying the target stock ratio.

5) When selling shares of XI C&A Co., Ltd. (formerly S&I Engineering & Construction Co., Ltd.), the Group has an agreement to compensate the buyer for damages caused by a construction site accident in 2021 by multiplying the target stock ratio.

6) As of December 31, 2022, the Group has an investment agreement of ₩28,000 million and USD 137 million for the acquisition of other financial assets. As of December 31, 2022, the amount invested by the Group is ₩18,765 million and USD 24 million.

7) The Group has a joint guarantee agreement when Hi Plaza Co., Ltd., a tenant of its building (Sangdo-dong), fails to pay electricity bills to KOREA ELECTRIC POWER CORPORATION, and the maximum guarantee debt is ₩19 million.

32. LEASE:

(1) The Group as lessee

1) The book value of right-of-use assets as of December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

	December 31, 2022			
Description	Buildings	Vehicles	Furniture, fixtures and others	Total
Acquisition cost	₩ 45,482	₩ 10,236	₩ 3,044	₩ 58,762
Accumulated depreciation	(14,767)	(5,040)	(1,209)	(21,016)
Accumulated impairment loss	-	-	(26)	(26)
Book value	₩ 30,715	₩ 5,196	₩ 1,809	₩ 37,720

	December 31, 2021			
Description	Buildings	Vehicles	Furniture, fixtures and others	Total
Acquisition cost	₩ 29,834	₩ 8,583	₩ 2,357	₩ 40,774
Accumulated depreciation	(12,416)	(3,474)	(281)	(16,171)
Accumulated impairment loss	-	-	(26)	(26)
Book value	₩ 17,418	₩ 5,109	₩ 2,050	₩ 24,577

2) Changes in book value of right-of-use assets for the years ended December 31, 2022 and 2021, are as follows. (Unit: Korean won in millions):

	Year ended December 31, 2022							
Description	Buildings		Vehicles		Furniture, fixtures and others		Total	
Beginning balance	₩	17,418	₩	5,109	₩	2,050	₩	24,577
Acquisitions		38,366		4,744		806		43,916
Depreciation		(9,461)		(3,228)		(1,056)		(13,745)
Termination of a contract, etc.		(15,608)		(1,429)		9		(17,028)
Ending balance	₩	30,715	₩	5,196	₩	1,809	₩	37,720

	Year ended December 31, 2021							
Description	Buildings		Vehicles		Furniture, fixtures and others		Total	
Beginning balance	₩	24,419	₩	5,614	₩	1,602	₩	31,635
Acquisitions		30,554		3,687		2,213		36,454
Depreciation		(9,117)		(4,024)		(1,581)		(14,722)
Termination of a contract, etc.		(23,626)		147		(168)		(23,647)
Consolidation scope changes		(119)		273		-		154
Transfer to held for sale		(4,693)		(588)		(16)		(5,297)
Ending balance	₩	17,418	₩	5,109	₩	2,050	₩	24,577

3) The amounts recognized in profit or loss for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	2022		2021	
Depreciation of right-of-use assets	₩	13,746	₩	14,722
Interest expenses on lease liabilities		1,489		1,100
Short-term and low-value asset lease related expenses		6,380		11,215
Contract termination costs, etc.		(161)		829

As of December 31, 2022, the Group's short-term lease commitment is ₩825 million, and the total cash outflow of the lease for the year ended December 31, 2022, including short-term leases, is ₩20,961 million.

4) The details of the liquidity classification of lease liabilities as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2022		December 31, 2021	
Current liabilities	₩	13,230	₩	25,766
Non-current liabilities		34,652		12,758
Total	₩	47,882	₩	38,524

5) The maturity analysis of lease liabilities as of December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

Description	December 31, 2022			
	Minimum lease payments		Present value of minimum lease payments	
Less than one year	₩	13,521	₩	13,230
1 year–5 years		28,595		26,409
More than five years		12,325		8,243
Total	₩	54,441	₩	47,882

Description	December 31, 2021			
	Minimum lease payments		Present value of minimum lease payments	
Less than one year	₩	26,509	₩	25,766
1 year–5 years		2,157		1,997
More than five years		12,928		10,761
Total	₩	41,594	₩	38,524

(2) The Group as lessor

1) The companies included in the Group have operating lease contracts, such as real estate rental.

2) The schedule for receiving lease payment related to operating lease contracts as of December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

December 31, 2022							
Less than 1 year		1 year–5 years		More than 5 years		Total	
₩	140,140	₩	56,905	₩	10,456	₩	207,501

December 31, 2021							
Less than 1 year		1 year–5 years		More than 5 years		Total	
₩	137,153	₩	62,243	₩	20,963	₩	220,359

3) The Group recognized rental profit related to operating lease contracts for the years ended December 31, 2022 and 2021, in the amounts of ₩162,081 million and ₩140,911 million, respectively.

33. PENDING LITIGATIONS:

(1) Pending litigations as of December 31, 2022, are 10 cases where the Group sued, including claims for return of other receivables (defendant: Asan Social Welfare Foundation and the amount of lawsuit: ₩10,000 million) and the total amount of lawsuits is ₩26,755 million. The cases that the Group is sued are 13 cases, including the claims for compensation for damages on delivery equipment (plaintiff: Korea Customs Service and the amount of lawsuit: ₩15,170 million) and the total amount of lawsuits is ₩70,516 million. Meanwhile, the results of lawsuits and the effects on the consolidated financial statements cannot be reasonably predicted at the end of the reporting date.

(2) Prior to the previous period, a fire occurred in a building entrusted by D&O Corp., a subsidiary, and the Group figures out that it is liable to indemnify some of the losses caused by the fire accident. The Group sets the related provision of ₩47 million as the best estimate as of December 31, 2022.

34. RISK MANAGEMENT:

(1) Capital risk management

The Group performs capital risk management to maintain the ability to continuously provide profits to shareholders and interested parties and to maintain optimum capital structure to reduce capital expenses. In order to maintain or adjust capital structure, the Group applies policy, such as adjustment of dividend payments.

The Group's capital structure consists of net liability, which is borrowings, less cash and cash equivalents and equity. The overall capital risk management policy of the Group is unchanged from the prior period. In addition, items managed as capital by the Group as of December 31, 2022 and 2021, are as follows
(Unit: Korean won in millions):

Description	December 31, 2022		December 31, 2021	
Total borrowings	₩	810,836	₩	784,033
Less: Cash and cash equivalents		(1,050,726)		(1,132,504)
Borrowings, net		(239,890)		(348,471)
Total equity	₩	26,234,186	₩	21,940,221
Debt-to-equity ratio(*)		-		-

(*) As of December 31, 2022 and 2021, equity to net borrowings ratio was not calculated because net borrowings were negative.

(2) Financial risk management

The Group is exposed to various financial risks, such as market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk related to financial instruments. The purpose of risk management of the Group is to identify potential risks of financial performance and reduce, eliminate and evade those risks to a degree acceptable to the Group. The Group makes use of derivative financial instruments to hedge certain risks, such as foreign exchange risks. Overall financial risk management policy of the Group is the same as one of the prior periods.

1) Foreign exchange risk

The Group is exposed to foreign exchange risk since it makes transactions in foreign currencies. The book value of the Group's monetary assets and liabilities denominated in foreign currency that is not the functional currency as of December 31, 2022, is as follows (Unit: Korean won in millions):

Currency	Assets		Liabilities	
USD	₩	173,765	₩	49,892
EUR		32,748		3,142
JPY		391		924
CNY		1,091		242
Others		100,719		21,176
Total	₩	308,714	₩	75,376

The Group internally assesses the foreign currency risk from changes in exchange rates on a regular basis. The Group's sensitivity analysis to a 10% increase and decrease in the Korean won (functional currency of the Group) against major foreign currencies as of December 31, 2022, is as follows (Unit: Korean won in millions):

Currency	10% increase against foreign currency		10% decrease against foreign currency	
USD	₩	9,391	₩	(9,391)
EUR		2,244		(2,244)
JPY		(40)		40
CNY		64		(64)
Others		5,997		(5,997)
Total	₩	17,656	₩	(17,656)

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than the functional currency as of December 31, 2022.

Meanwhile, the Group entered into cross-currency forward contracts and currency swap contracts to avoid foreign exchange risk related to foreign currency payables and foreign currency receivables.

The details of unsettled currency forward contracts as of December 31, 2022, are as follows (Unit: Korean won in millions):

Description	Notional amount	Valuation gain and loss		Accumulated other comprehensive income (*)	Fair value	
		Gain	Loss		Assets	Liabilities
Currency forward	₩ 337,289	₩ 11,442	₩ 1,346	₩ -	₩ 11,442	₩ 1,346

(*) The amount after considering the effect of income tax.

2) Interest rate risk

Due to borrowings issued by a floating interest rate, the Group is exposed to cash flow risk arising from interest rate changes. Also, because of debt securities out of other financial assets that are measured at fair value, the Group is exposed to fair value interest rate risk.

None of the assets is exposed to interest rate risk and the book value of liabilities exposed to interest rate risk as of December 31, 2022, is as follows (Unit: Korean won in millions):

Description	December 31, 2022
Borrowings	₩ 24,304

(*) Of the loans under variable interest rate conditions, ₩150,000 million of interest rate products fixed by interest rate swaps was excluded, and interest rates fixed by interest rate swaps were 6.4% to 6.8%, and if all other variables were constant and interest rates changed by 1%, there was no significant effect on after-tax profits.

The Group internally assesses the interest risk from changes in interest rates on a regular basis. Effect of changes in interest rates of 1% to net income and net assets as of December 31, 2022, is as follows
(Unit: Korean won in millions):

Description	1% increase		1% decrease	
	Loss	Net assets	Gain	Net assets
Borrowings	₩ (183)	₩ -	₩ 183	₩ -

3) Price risk

The Group is exposed to price risks from equity instruments. As of December 31, 2022, the fair value of equity instruments is ₩40,522 million, and when all the other variables are constant and when the price of equity instrument changes by 10%, the effect of after tax to equity will be ₩3,112 million.

4) Credit risk

Credit risk refers to risk of financial losses to the Group when the counterparty defaults on the obligations of the contract.

The maximum amount of the financial loss that the Group will incur due to the non-fulfillment of obligations of the counterparty in the event that collateral or other credit enhancement is not taken into consideration is the carrying amount of each financial asset in the consolidated financial statements. Regardless of the likelihood of an event, the maximum amount that the Group will be required to pay for guarantees due to the financial guarantees provided by the Group is the amount of ₩37,834 million (the financial guarantee limit is described in Note 30 (4)).

To minimize credit risk, the Group uses independent external credit rating agencies' credit rating information to classify exposure based on the extent of default. If information from credit rating agencies is not available, the Group uses officially available financial information to determine the ratings of key customers and other debtors. Our total exposure and the counterparty's credit rating are constantly reviewed and the total amount of these transactions is evenly distributed among the authorized accounts.

Meanwhile, maximum exposure amount of credit risk of the Group for the loss of non-consolidation structured entity that is explained in Note 35 is ₩3,797 million.

5) Liquidity risk

The Group establishes short-term and long-term fund management plans to manage liquidity risk. The Group analyzes and reviews actual cash outflow and its budget to correspond to the maturity of financial liabilities and financial assets. Management of the Group believes that the financial liability may be redeemed by cash flow arising from operating activities and financial assets.

Maturity analysis of non-derivative financial liabilities according to their remaining maturity as of December 31, 2022, is as follows (Unit: Korean won in millions):

Description	Within 1 year	1 year–5 years	More than 5 years	Total
Non-interest financial instrument	₩ 979,827	₩ 23,677	₩ 6,741	₩ 1,010,245
Floating-rate financial instrument	182,970	-	-	182,970
Fixed-rate financial instrument	501,710	158,694	-	660,404
Lease liabilities	13,521	28,595	12,325	54,441
Payment guarantee(*)	37,834	-	-	37,834
Total	₩ 1,715,862	₩ 210,966	₩ 19,066	₩ 1,945,894

(*) The limit of payment guarantee (EUR 28,000,000) provided to financial institutions for the credit of Hellas SmarTicket Societe Anonyme, an overseas associate, as described in Note 30. (4). This is the maximum amount that the Group will pay by contract when the warrantee claims the whole guaranteed amount. Based on the forecast as of the end of the reporting period, the Group judges that there is a higher probability of not paying the guaranteed amount than the possibility of paying it in accordance with the guarantee of payment. However, the above estimates may fluctuate because the probability that the warrantee may claim payment to the Group under the guarantee contract due to the possibility of credit loss in the financial bond held by the warrantee.

Maturity analysis above is made based on the earliest maturity date by which the payments should be made based on the undiscounted cash flow. It includes cash flows of the principal and interest.

Maturity analysis of derivative assets and liabilities according to their remaining maturity as of December 31, 2022, is as follows (Unit: Korean won in millions):

Description	Flow	Within 1 year	1 year–5 years	More than 5 years	Total
Derivatives for trading:					
Foreign currency derivatives	Outflow	₩ (326,515)	₩ -	₩ -	₩ (326,515)
	Inflow	336,611	-	-	336,611
Interest Rate Derivatives	Outflow	(464)	-	-	(464)
Subtotal		9,632	-	-	9,632
Other derivatives :					
Other derivatives(*)	Outflow	-	9,878	-	9,878
Subtotal		-	9,878	-	9,878
Total		₩ 9,632	₩ 9,878	₩ -	₩ 19,510

(*) Regarding the arrangements described in Note 31 (5) 3), the Group has an agreement to propose a recovery plan for the shortfall if it does not meet the investor's certain return. As a result of these options, the Group judges that the likelihood of an outflow of funds from exercising the option is unlikely.

The Group manages liquidity through cash inflows from financial assets and financing arrangements with financial institutions. The maturity structure of a financial assets is as follows (Unit: Korean won in millions):

Description	Within 1 year	1 year–5 years	More than 5 years	Total
Deposits to financial institutions	₩ 1,884,365	₩ 348,904	₩ -	₩ 2,233,269
Trade receivables and other receivables	1,522,413	28,016	2,397	1,552,826
Investment in equity and debt instruments	-	-	280,872	280,872
Contractual assets	424,313	-	-	424,313

(3) Estimation of fair value

The fair values of financial instruments (i.e., financial assets held for trading and AFS financial assets) traded in active markets are determined with reference to quoted market prices. The Group uses the current bid price as the quoted market price for its financial assets.

The fair values of financial instruments not traded in an active market (i.e., over-the-counter derivatives) are determined using a valuation technique. The Group uses various valuation techniques using assumptions based on current market conditions. The fair values of long-term liabilities and financial liabilities available for settlement are determined using prices from observable current market transactions and dealer quotes for similar instruments. Where such prices are not available, a discounted cash flow analysis or other valuation technique is performed to measure their fair values.

The fair values of trade receivables and trade payables are approximated at their carrying value, less impairment loss. The Group estimates the fair values of financial liabilities as the present value of future contractual cash flows discounted based on current market rates applied to similar financial instruments.

Financial instruments that are measured subsequently to initial recognition at fair value are grouped into Levels 1 to 3, based on the degree to which the fair value is observable, as described below:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Measured fair value of the Group according to the above hierarchy is as follows.

1) Financial instruments that are measured subsequent to initial recognition at fair value by fair value hierarchy levels as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description		December 31, 2022			
		Level 1	Level 2	Level 3	Total
Other derivative assets	Financial assets at FVTPL	₩ -	₩ -	₩ 9,878	₩ 9,878
Derivative assets for trading	Financial assets at FVTPL	-	11,442	-	11,442
Other financial assets	Financial assets at FVTPL	-	-	77,753	77,753
	Financial assets at FVTOCI	40,522	-	162,597	203,119
Total financial assets		₩ 40,522	₩ 11,442	₩ 250,228	₩ 302,192
Derivative liabilities for trading	Financial liabilities at FVTPL	₩ -	₩ 1,810	₩ -	₩ 1,810
Total financial liabilities		₩ -	₩ 1,810	₩ -	₩ 1,810

Description		December 31, 2021			
		Level 1	Level 2	Level 3	Total
Derivative assets for trading	Financial assets at FVTPL	₩ -	₩ 2,259	₩ -	₩ 2,259
Other financial assets	Financial assets at FVTPL	-	-	42,185	42,185
	Financial assets at FVTOCI	38,511	-	159,860	198,371
Total financial assets		₩ 38,511	₩ 2,259	₩ 202,045	₩ 242,815
Other derivative instruments	Financial liabilities at FVTPL	₩ -	₩ -	₩ 38,982	₩ 38,982
Derivative liabilities for trading	Financial liabilities at FVTPL	-	2,564	-	2,564
Total financial liabilities		₩ -	₩ 2,564	₩ 38,982	₩ 41,546

There is no significant transfer between Level 1 and Level 2 during the current period and the prior period.

2) Valuation method and input variables that are classified as Level 2 from the financial instruments that are subsequently measured as fair values are as follows (Unit: Korean won in millions):

Description	Fair values as of December 31, 2022	Valuation technique	Input variables
Financial assets:			
Derivative assets for trading	₩ 11,442	Decision model for future prices	Discount rate and exchange rate
Financial liabilities:			
Derivative liabilities for trading	1,810	Decision model for future prices	Discount rate and exchange rate

3) The Group judges that the carrying amount of financial assets and financial liabilities measured at amortized cost in the consolidated statements of financial position is similar to fair value.

4) Changes in Level 3 financial assets and financial liabilities out of financial instruments measured at fair value repeatedly in the consolidated statements of financial position for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2022								
		Total comprehensive income							
Description	Beginning balance	Profit (loss) for the year	Other comprehensive income (loss)	Purchases (issuance)	Disposals (settlement)	Transfer	Other	Ending Balance	Unrealized holding gain or loss
Other finance assets	₩202,045	₩ (1,047)	₩ 10,515	₩ 39,596	₩(10,617)	₩ (1,607)	₩ 1,464	₩ 240,349	₩ 18,457
Other derivative instrument assets	-	9,879	-	-	-	-	-	9,879	-
Total	₩202,045	₩ 8,832	₩ 10,515	₩ 39,596	₩(10,617)	₩ (1,607)	₩ 1,464	₩ 250,228	₩ 18,457
Other derivative liabilities	₩ 38,982	₩(38,982)	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Total	₩ 38,982	₩(38,982)	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -

	Year ended December 31, 2021							
		Total comprehensive income						
Description	Beginning balance	Profit (loss) for the year	Other comprehensive income(loss)	Purchases (issuance)	Disposals (settlement)	Other	Ending balance	Unrealized holding gain or loss
Other finance assets	₩ 93,332	₩ 377	₩ (7,333)	₩ 133,253	₩ (572)	₩(17,012)	₩ 202,045	₩ (4,653)
Total	₩ 93,332	₩ 377	₩ (7,333)	₩ 133,253	₩ (572)	₩(17,012)	₩ 202,045	₩ (4,653)
Other derivative liabilities	₩ 51,256	₩(12,274)	₩ -	₩ -	₩ -	₩ -	₩ 38,982	₩ -
Total	₩ 51,256	₩(12,274)	₩ -	₩ -	₩ -	₩ -	₩ 38,982	₩ -

5) A description of the valuation techniques and the inputs used in the fair value measurement of financial instruments classified as Level 2 and Level 3 is as follows:

- Currency forward and interest rate swap

In principle, the fair value of currency forward was measured based on forward currency rates whose period is coincident with the residual period of the currency forward, and they are advertised on the market at the end of the reporting period. If forward currency rates whose periods are coincident with the residual period are not advertised on the market, the fair value of currency forward was measured by estimating the forward currency rates whose period is similar to the residual period of the currency forward. The estimation of the forward currency was performed using interpolation to advertised periodical forward currency rates. Discount rates used to measure the fair value of currency forward were determined based on yield curve from yields advertised on the market.

Discount rates and forward rates used to measure the fair value of interest rate swaps were determined based on the applicable yield curves derived from interest rates that are advertised on the market at the end of the reporting period. The fair value of interest rate swaps measured on the amount of money that discounted at an appropriate discount rate to future cash flows of interest rate swaps was estimated based on the forward rate that is obtained by the method described above.

Since the input variables that are used to measure the fair value of currency forward and interest rate swaps for the end of the reporting period are derived via the forward exchange rate and the yield curve in the market, the fair values of currency forward and interest rate swap were classified as Level 2 fair value measurement.

- Corporate bonds

The fair value of corporate bonds was measured by discounted cash flow ("DCF") method. The discount rates used in DCF method were determined based on market swap rates and credit spreads of the bonds that are advertised and whose credit rating and period were similar to those of corporate bonds. The discount rates that influence the fair value of corporate bonds significantly are resulted in observable information in the market so that fair value measurement of corporate bonds is classified as Level 2 in the fair value hierarchy.

- Non-listed shares
The fair value of non-listed shares is measured using a discounted cash flow model where some of the assumptions, such as sales growth rate, pretax operating profit margin and the weighted-average cost of capital, are not based on observable market prices or rates. Capital asset pricing model ("CAPM") was used to calculate the weighted-average cost of capital used to discount future cash flow. The key assumptions of estimation listed above are determined to have a significant impact on the fair value of non-listed shares and the Group has classified the fair value measurement of non-listed shares as Level 3 in the fair value hierarchy.

6) There is no change in the valuation technique used in the fair value measurement of financial instruments classified as Level 2 and Level 3.

7) The table below explains the quantitative information of fair value measurement (Level 3) that uses the input variables that are significant, but unobservable and the relationship between unobservable input variables and the fair value measurements (Unit: Korean won in millions):

Description	Fair value as of December 31, 2022	Valuation technique	Unobservable inputs	Range	Disposals
Other financial assets	₩ 43,198	Discounted cash flow method	Growth rate	0%	Increase (decrease) in fair values due to increase (decrease) in growth rate
			Discount rate	15.12%	Decrease (increase) in fair values due to increase (decrease) in discount rate

8) A description of the valuation processes in the fair value measurement for Level 2 and Level 3 that the Group is carrying out is as follows:

The Group measures fair value of assets and liabilities for financial reporting purposes and reports the result of fair value measurements to chief financial officer directly.

Unobservable inputs that are used to estimate Level 3 fair value measurement are derived in a manner that is described below:

- The share price volatility and share price correlation used to measure the fair value of financial instruments associated with shares, such as investment convertible bonds, share price associations and conversion rights, are estimated based on observed stock price fluctuations in the market over a period prior to the end of the reporting period.

- Pretax profit margin and sales growth rate, which are used to measure the fair value of non-listed shares, are estimated based on the average value of pretax operating margin and sales growth rate of comparable listed companies.

- Weighted-average cost of capital used as discount rate to measure the fair value of non-listed shares is estimated by the weighted-average, after-tax and outside capital cost; capital cost estimates of the share value data reflected for the purpose of the issuer of the shares; and capital structure based on the equity data of comparable public companies, which has been derived based on the CAPM.

9) Impact on net income and other comprehensive income (loss) due to the change in reasonably available and unobservable input variables under the conditions that other input variables are constant is as follows (Unit: Korean won in millions):

Description	Unobservable input(s)	Changes in reasonably possible unobservable input	Net income		Other comprehensive income(loss)	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Other finance assets	Growth rate	+/-1%	₩ -	₩ -	₩ 268	₩ (232)
	Discount rate	+/-1%	-	-	935	(814)

10) The Group has judged that unobservable changes in inputs to reflect alternative assumptions would not change the fair value measurement significantly.

11) There is no significant change in business and economic environment affecting the fair value of the financial assets and liabilities during the current year.

35. UNCONSOLIDATED STRUCTURED ENTITIES:

As of December 31, 2022, information about the nature and risks associated with interests in unconsolidated structured entities held by the Group is as follows (Unit: Korean won in millions):

Description	Names of structured entities	Accounting title of interests on structured entities and providing financial supports	Book value of assets related to structured entities' interest	Maximum exposure to the loss of structured entities(*3)
Interests accounted in accordance with K-IFRS 1109 (except interests on subsidiaries)	Changwon-Sangnam Complex Commercial Facility(*1)	Other financial assets	₩ 2,190	₩ -
		Cash deficiency support agreement	-	3,797
	Hanam IDC(*2)	Other financial assets	3,057	-
	Total	Other financial assets	₩ 5,247	₩ -
		Cash deficiency support agreement	-	3,797

(*1) It is the maximum amount to be paid by the Group in the event of vacancy in the target area by cash deficiency support agreement for the relevant building.
(*2) Unlike the case in (*1), maximum exposure amount for the loss is not calculated because none of the cash deficiency support agreement exists for the relevant building.
(*3) Relevant structured entities that construction is in progress are excluded in calculating maximum exposure because the Group is liable for agreed obligation only for the operating period.

36. DISPOSAL OF SUBSIDIARIES:

(1) The Group disposed of 60% of its shares in XI C&A Co., Ltd. (formerly S&I Engineering & Construction Co., Ltd.) and S&I Corp. (formerly S&I Atxpert), for the year ended December 31, 2022.

1) Fair value for the compensation of disposal is as follows (Unit: Korean won in millions):

Description	Fair value for the compensation
Compensation received as cash and cash equivalents	₩ 664,754

2) The book value of assets and liabilities of the subsidiary at the date of losing the controlling power for subsidiary during the current period is as follows (Unit: Korean won in millions):

Description		The book value
Current assets:	₩	763,501
Cash and cash equivalents		115,186
Financial institution deposits		26,465
Trade receivables		519,961
Other receivables		15,515
Other current assets		83,890
Current finance lease receivables		459
Current tax assets		735
Inventories		1,290
Non-current assets:		69,387
Other financial assets		19,084
Non-current financial institution deposits		365
Non-current other receivables		348
Deferred tax assets		4,196
Finance lease receivables		877
Property, plant and equipment		10,951
Intangible assets		25,503
Right-of-use assets		8,063
TOTAL ASSETS		832,888
Current liabilities:		479,673
Trade payables		385,009
Other payables		22,358
Current tax liabilities		10,280
Current provisions		286
Other current liabilities		56,944
Current lease liabilities		4,796
Non-current liabilities:		119,379
Long-term borrowings		99,899
Other non-current payables		224
Net defined benefit liability		8,402
Other non-current liabilities		1,500
Deferred tax liability		1,529
Provisions		3,231
Lease liabilities		4,594
TOTAL LIABILITIES		599,052
Total value of disposed net assets	₩	233,836

3) Gain on disposal of subsidiaries for the year ended December 31, 2022, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2022	
Compensation of disposal	₩	664,754
Fair value of compensation of disposal		664,754
Less : Value of disposed net assets		233,836
Less : Incidental expenses for disposal		43,822
Add : Consolidation adjustments		335,590
Gain on disposal of investments in subsidiaries	₩	722,686

4) Net cash flow due to the disposal of subsidiaries for the year ended December 31, 2022, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2022	
Compensation received as cash and cash equivalents	₩	664,754
Less: Disposal of cash and cash equivalents and Incidental expenses for disposal		150,007
Net cash flows	₩	514,747

(2) The Group disposed of all shares (90%) of Konjiam Yewon Co., Ltd., for the year ended December 31, 2022.

1) Fair value for the compensation of disposal is as follows (Unit: Korean won in millions):

Description	Fair value for the compensation	
Compensation received as cash and cash equivalents	₩	1,312

2) The book value of assets and liabilities of the subsidiary at the date of losing the controlling power for subsidiary during the current period is as follows (Unit: Korean won in millions):

Description	The book value	
Current assets:	₩	1,454
Cash and cash equivalents		1,448
Other receivables		3
Other current assets		3
Non-current assets:		539
Investment properties		539
TOTAL ASSETS		1,993
Current liabilities:		13
Other payables		1
Other current liabilities		12
Non-current liabilities:		528
Other non-current payables		324
Other non-current liabilities		204
TOTAL LIABILITIES		541
Total value of disposed net assets	₩	1,452
Book value of net asset for controlling interests		1,307
Non-controlling interests		145

3) Gain on disposal of subsidiaries for the year ended December 31, 2022, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2022	
Compensation of disposal	₩	1,312
Fair value of compensation of disposal		1,312
Less : Value of disposed net assets		1,307
Less : Incidental expenses for disposal		10
Gain on disposal of investments in subsidiaries	₩	(5)

4) Net cash flow due to the disposal of subsidiaries for the year ended December 31, 2022, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2022	
Compensation received as cash and cash equivalents	₩	1,312
Less: Disposal of cash and cash equivalents and Incidental expenses for disposal		1,458
Net cash flows	₩	(146)

37. DISCONTINUED OPERATIONS:

Consolidated results of discontinued operations included in the consolidated statements of comprehensive income are as follows. Comparative discontinued operating profit of loss and cash flows for the previous period are rewritten to reflect operations classified as discontinued operations during the current period.

(1) Consolidated statements of profit or loss

Performance of discontinued operations included in the consolidated statements of profit or loss is as follows (Unit: Korean won in millions):

	Year ended December 31, 2022		Year ended December 31, 2021					
	D&O Corp.		LG Corp.		D&O Corp.		Total	
Sales	₩	263,616	₩	5,511	₩	1,727,919	₩	1,733,430
Cost of sales		239,974		6,242		1,538,375		1,544,617
Selling and administrative expenses		10,385		-		64,287		64,287
Operating profit (loss)		13,257		(731)		125,257		124,526
Other operating income		7,291		36,523		8,196		44,719
Other operating expenses		741		2		5,199		5,201
Profit or loss before tax		19,807		35,790		128,254		164,044
Income tax expenses		4,374		3,211		87,907		91,118
Subtotal		15,433		32,579		40,347		72,926
Profit from discontinued operation sales		722,686		429,314		-		429,314
Income tax expense		140,904		-		-		-
Subtotal		581,782		429,314		-		429,314
Gain or loss from discontinued operations	₩	597,215	₩	461,893	₩	40,347	₩	502,240
Owners of the parent company (*)		597,215		461,893		40,347		502,240
Non-controlling interests		-		-		-		-

(*) Includes the effect of deferred income tax on stock held by the investee and others.

(2) Cash flow from discontinued operations

Description	2022 D&O Corp.		2021 D&O Corp.	
Cash flows from operating activities	₩	10,984	₩	54,857
Cash flows from investing activities		(1,487)		(20,387)
Cash flows from financing activities		(877)		(5,853)
Effects of exchange rate changes		(64)		5,586
Net cash flows	₩	8,556	₩	34,203

38. <u>NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS:</u>

(1) Significant non-cash investing and financing activities for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2022		Year ended December 31, 2021	
Transfer of construction in progress	₩	71,875	₩	46,110
Increase (decrease) of payables related to acquisition of property, plant and equipment and investment property		10,636		12,517
Transfer of property, plant and equipment to investment property		50,720		13,137
Transfer of long-term borrowings and debentures to current portion		371,286		221,595
Transfer of assets held for sale		-		888,898
Transfer of liabilities held for sale		-		763,661
Decrease by spin-off		-		1,021,549

(2) Changes in liabilities arising from financing activities for the year ended December 31, 2022, are as follows (Unit: Korean won in millions):

	Beginning balance		Financing activities		Others		Ending balance	
Borrowings	₩	883,917	₩	25,900	₩	(98,981)	₩	810,836
Lease liabilities		45,357		(14,581)		17,106		47,882

Disclosure on Execution of External Audit

We attach required disclosure on the execution of external audit performed in accordance with
Article 18-3 of the Act on External Audit of Stock Companies.

1. Company and Reporting Period subject to External Audit

Company	LG Corp.			
Reporting Period	2022/01/01	From	2022/12/31	To

2. Number of Participants and Details on the Hours Executed in Audit

(Unit: Number of Participants, Hours Executed)

Participant(s) Number and Hour(s) Number of Participant(s)		Engagement Quality Reviewer(s)		Audit Professional(s)						IT Specialist(s), Tax Specialist(s), and Valuation Specialist(s)		Construction Contracts Order-made Production Industry Specialist(s)		Total	
				Engagement Partner(s)		Members of Korean Institute of Certified Public Accountants (KICPA) (Registered)		Members of KICPA (Non-Registered)							
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Number of Participant(s)		4	6	2	1	7	12	3	2	14	14	-	-	30	35
Hours Executed	Interim	39	12	62	64	2,368	1,702	88	632	-	309	-	-	2,557	2,719
	Audit	69	63	123	247	2,528	2,129	429	685	373	416	-	-	3,522	3,540
	Total	108	75	185	311	4,896	3,831	517	1,317	373	725	-	-	6,079	6,259

3. Key Disclosure on Execution of External Audit

Title	Detail					
Audit Planning Stage	Dates Performed	April 2022–September 2022	5	Days		
	Main Planning Work Performed	Understanding the Company and business environments, composing the audit member, identifying and evaluating significant risk of material misstatements, deciding the nature/timing/extent of an audit, reviewing the application of professionals and determining the materiality in the application of an audit				
Fieldwork Performed	Dates Performed		Number of Participant(s)		Main Fieldwork Performed	
			On-Site	Off-Site		
		Days	Number of Participant(s)	Number of Participant(s)		
	2022/11/28–2022/12/02 2022/12/12-2022/12/16	10	5	2	Internal control audit (understanding the Enterprise and transaction level control, design/operation assessment)	
	2022/09/13–2022/09/16 2022/11/21-2022/11/25	9	2	2	Internal control audit (understanding computer general control and design/operation assessment)	
	2023/01/13-2023/01/17	3	5	2	Substantive procedure on separate financial statements	
	2023/01/18–2023/02/03	11	5	2	Substantive procedure on consolidated financial statements	
Physical Counts - Inventory (Observation)	Time (When Performed)	-	-	Day(s)		
	Place (Where Performed)	-				
	Inventory subjected to Counts	-				
Physical Counts - Financial Instruments (Observation)	Time (When Performed)	2023/01/02	1	Day(s)		
	Place (Where Performed)	LG Corp. headquarters				
	Financial Instruments subjected to Counts	Cash, investment securities, memberships and others				
External Confirmation	Bank Confirmation	O	Accounts Receivable/Payable Confirmation	O	Legal Confirmation	O
	Other Confirmation	N/A				
Communications with Those Charged with Governance	Number of Communications	6	Time(s) Performed			
	Time (When Performed)	2022/02/25, 2022/05/12, 2022/08/11, 2022/11/10, 2023/02/09 and 2022/03/09				

Communications with Audit Committee

Title	Time (When Performed)	Attendants	Method	Key Content of Discussion
1	2022/02/25	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Audit schedule, audit plan and key audit matters
2	2022/05/12	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Review of interim financial statements
3	2022/08/11	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Review of interim financial statements
4	2022/11/10	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Review of interim financial statements and report on progress of the audit of internal control over financial reporting
5	2023/02/09	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Report on progress of external audit, independence of auditor and result of key audit matters and report on group audit matters
6	2023/03/09	Three Audit Committee, Engagement Partner and one other person	Face-to-Face Meeting	Report on result of external audit