



**LG CORP.**

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

**ATTACHMENT: INDEPENDENT AUDITORS' REPORT**

**LG CORP.**

## 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 Separate Financial Statements

### Our Opinion

We have audited the separate financial statements of LG Corp. (the "Company"), which comprise the separate statements of financial position as of December 31, 2022, and 2021, respectively, and the related separate statements of income, separate statements of comprehensive income, separate statements of changes in shareholders' equity and separate statements of cash flows, all express in Korean won, for the years ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company 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").

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the internal control over financial reporting of the Company as of December 31, 2022, based on 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' and our report dated March 21, 2023, expressed an unqualified opinion.

### 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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the separate financial statements in the Republic of Korea, and 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment Test of Investments in Associates.

As noted in Note 3 (Key sources of estimation uncertainty), the Company 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 Company'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.

As of the end of the reporting period, the carrying amounts of shares in ZKW Holding GmbH and ZKW Austria Immobilien Holding GmbH are ₩160,226 million and ₩8,758 million, respectively. An impairment loss was recognized in the prior year, and we determined this matter to be a key audit matter considering that the size of the carrying amount of the relevant associate's investment and the management's judgment on the Company's impairment assessment is significant.

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

- Understanding and assessment of the Company'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 Company
- Evaluate the objectivity and eligibility of external experts used by the Company's management in impairment test
- 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 Company 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

### **Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements**

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

In preparing the separate financial statements, management of the Company is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative, but to do so.

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

### **Auditor's Responsibilities for the Audits of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 audit 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.
- 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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a



manner that achieves fair presentation.

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 audit of the separate 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.

A handwritten signature in black ink that reads "Deloitte IDNjin LLC". The signature is written in a cursive, stylized font.

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 separate financial statements and may result in modifications to the auditors' report.

**LG CORP. (the “Company”)**

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

The accompanying separate financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Company.

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

**LG CORP.**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2022 AND 2021**

	Korean won	
	December 31, 2022	December 31, 2021
	(In millions)	
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 5, 6, 19 and 26)	₩ 191,771	₩ 210,756
Financial institution deposits (Notes 5, 19 and 26)	1,400,000	1,550,000
Other receivables, net (Notes 5, 7, 19, 22 and 26)	76,770	69,826
Other current assets (Note 8)	1,734	817
Total current assets	1,670,275	1,831,399
NON-CURRENT ASSETS:		
Non-current financial institution deposits (Notes 5, 19, 23 and 26)	336,898	-
Other financial assets (Notes 5, 19, 23 and 26)	221,856	189,309
Derivative assets (Notes 5, 19 and 26)	9,878	-
Other non-current receivables, net (Notes 5, 7, 19, 23 and 26)	1,605	505
Investments in subsidiaries (Note 11)	758,789	758,789
Investments in associates (Note 11)	6,027,921	6,034,875
Other non-current assets (Notes 8 and 12)	5,223	2,775
Property, plant and equipment, net (Note 9)	40,200	41,321
Investment property, net (Notes 9 and 24)	811,329	828,833
Intangible assets (Note 10)	19,004	19,888
Right-of use assets (Note 24)	995	1,005
Total non-current assets	8,233,698	7,877,300
TOTAL ASSETS	₩ 9,903,973	₩ 9,708,699

(Continued)

**LG CORP.**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2022 AND 2021 (CONTINUED)**

	Korean won	
	December 31, 2022	December 31, 2021
	(In millions)	
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Other current payables (Notes 5, 19, 22 and 26)	₩ 129,081	₩ 139,698
Current tax liabilities (Note 20)	52,190	33,721
Other current liabilities (Note 13)	9,875	5,833
Current lease liabilities (Notes 5, 19, 24, 26 and 27)	531	616
Total current liabilities	191,677	179,868
NON-CURRENT LIABILITIES:		
Derivative liabilities (Notes 5, 19 and 26)	-	38,982
Other non-current payables (Notes 5, 19, 22 and 26)	12,995	8,357
Net defined benefit liability (Note 12)	-	260
Deferred tax liability (Note 20)	154,809	66,510
Other non-current liabilities (Note 13)	3,603	4,069
Non-current lease liabilities (Notes 5, 19, 24, 26 and 27)	475	396
Total non-current liabilities	171,882	118,574
TOTAL LIABILITIES	363,559	298,442
SHAREHOLDERS' EQUITY		
Issued capital (Note 14)	801,613	801,613
Capital surplus (Note 15)	2,413,576	2,413,576
Other capital items (Note 14)	(1,737,277)	(1,569,515)
Accumulated other comprehensive income (Note 16)	42,645	23,965
Retained earnings (Note 17)	8,019,857	7,740,618
TOTAL EQUITY	9,540,414	9,410,257
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	₩ 9,903,973	₩ 9,708,699

(Concluded)

**See accompanying notes to separate financial statements.**

**LG CORP.**  
**SEPARATE STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Korean won	
	Year ended December 31, 2022	Year ended December 31, 2021
	(In millions)	
Operating income:		
Dividend income (Notes 4, 18 and 22)	₩ 566,697	₩ 518,273
Royalty revenue (Notes 4, 18 and 22)	365,543	340,801
Rental revenue (Notes 4, 9, 18, 22 and 24)	135,285	130,686
	<u>1,067,525</u>	<u>989,760</u>
Operating expenses:		
Employee benefit (Notes 18 and 22)	59,245	63,575
Depreciation (Notes 9, 18 and 24)	23,613	23,758
Other operating expenses (Notes 18 and 22)	163,222	162,054
	<u>246,080</u>	<u>249,387</u>
Net operating income (Note 18)	821,445	740,373
Non-operating income and expenses:		
Financial income (Notes 19 and 22)	91,727	16,726
Financial expenses (Note 19)	1,827	434
Other non-operating income	1,777	18,771
Other non-operating expenses (Note 11)	5,081	223,120
Continuing operating profit before income tax expense	<u>908,041</u>	<u>552,316</u>
Income tax expense for continuing operations (Note 20)	<u>170,680</u>	<u>84,520</u>
Continuing operating profit	737,361	467,796
Discontinued operating income and expenses (Note 28)	-	766,216
Profit for the year	<u>₩ 737,361</u>	<u>₩ 1,234,012</u>
Earnings per share (in Korean won):		
Continuing and discontinued operations		
Common stock basic/diluted (Note 21)	₩ 4,626	₩ 7,457
Pre-1996 Commercial Law Amendment preferred stock basic/diluted (Note 21)	4,676	7,507
Continuing operation		
Common stock basic/diluted (Note 21)	4,626	2,826
Pre-1996 Commercial Law Amendment preferred stock basic/diluted (Note 21)	4,676	2,876

**See accompanying notes to separate financial statements.**

**LG CORP.**  
**SEPARATE 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	₩ 737,361	₩ 1,234,012
Other comprehensive income (loss):	9,443	(13,657)
Items that will not be reclassified subsequently to profit or loss	9,443	(13,657)
Remeasurement on the net defined benefit liability	47	(1,682)
Net gain (loss) on other financial assets	9,396	(11,975)
Total comprehensive income for the year	₩ 746,804	₩ 1,220,355

**See accompanying notes to separate financial statements.**

**LG CORP.**  
**SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' 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	Total
	(In millions)					
Balance at January 1, 2021	₩ 879,359	₩ 2,409,002	₩ (2,385)	₩ 35,940	₩ 6,947,881	₩ 10,269,797
Annual dividends	-	-	-	-	(439,593)	(439,593)
Profit for the year	-	-	-	-	1,234,012	1,234,012
Remeasurement on the net defined benefit liability	-	-	-	-	(1,682)	(1,682)
Net loss on other financial assets	-	-	-	(11,975)	-	(11,975)
Disposals of treasury shares	-	4,574	2,385	-	-	6,959
Changes resulting from spin-off	(77,746)	-	(1,563,355)	-	-	(1,641,101)
Acquisition of treasury stock	-	-	(6,160)	-	-	(6,160)
Balance at December 31, 2021	₩ 801,613	₩ 2,413,576	₩ (1,569,515)	₩ 23,965	₩ 7,740,618	₩ 9,410,257
Balance at January 1, 2022	₩ 801,613	₩ 2,413,576	₩ (1,569,515)	₩ 23,965	₩ 7,740,618	₩ 9,410,257
Annual dividends	-	-	-	-	(448,885)	(448,885)
Profit for the year	-	-	-	-	737,361	737,361
Remeasurement on the net defined benefit liability	-	-	-	-	47	47
Net gain (loss) on other financial assets	-	-	-	18,680	(9,284)	9,396
Acquisition of treasury stock	-	-	(167,762)	-	-	(167,762)
Balance at December 31, 2022	₩ 801,613	₩ 2,413,576	₩ (1,737,277)	₩ 42,645	₩ 8,019,857	₩ 9,540,414

**See accompanying notes to separate financial statements.**

**LG CORP.**  
**SEPARATE 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)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit for the year	₩ 737,361	₩ 1,234,012
Additions of expenses not involving cash outflows:		
Depreciation	23,613	23,871
Amortization of intangible assets	2,246	2,096
Retirement benefits	5,225	4,878
Interest expenses	466	429
Income tax expense	170,680	85,226
Loss on disposals of property, plant and equipment	6	10
Loss on disposal of other financial assets	71	-
Loss on valuation of other financial assets	1,231	-
Loss on disposals of intangible assets	117	7
Impairment loss on investments in associates	2,632	222,663
Loss on disposals of investments in associates	2,240	-
Other selling and administration expenses	127	63
	208,654	339,243
Deduction of income not involving cash inflows:		
Interest income	42,720	16,974
Dividend income	566,697	554,267
Other operating income	440	411
Gain on disposals of investment property	-	14,383
Gain on disposals of property, plant and equipment	2	158
Gain on disposals of intangible assets	740	-
Reversal of impairment losses on intangible assets	329	-
Gain on sale of discontinued operations	-	731,132
Gain on valuation of derivatives	48,860	213
	(659,788)	(1,317,538)
Movements in working capital:		
Other receivables	6,789	(54,350)
Other current assets	(918)	273
Other non-current assets	(1,439)	(3,952)
Other payables	(9,984)	27,376
Other current liabilities	4,040	(2,002)
Net defined benefit liability	(8,588)	(10,166)
	(10,100)	(42,821)

(Continued)

**LG CORP.**  
**SEPARATE 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)	
Interest income received	₩ 24,534	₩ 15,933
Dividend income received	566,697	554,267
Interest expenses paid	-	(19)
Income taxes paid	(66,770)	(92,412)
	524,461	477,769
Net cash provided by operating activities	800,588	690,665
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash inflows from investing activities:		
Decrease in financial institution deposits	2,300,000	2,450,000
Decrease in non-current financial institution deposits	167,762	-
Decrease in non-current advance payments	-	1,543
Disposals of investments in associates	3,699	-
Disposals of other financial assets	10,546	-
Disposals of property, plant and equipment	16	234
Disposals of investment property	-	20,924
Disposals of intangible assets	4,697	335
	2,486,720	2,473,036
Cash outflows for investing activities:		
Increase in financial institution deposits	2,150,000	2,700,000
Increase in non-current financial institution deposits	500,000	-
Increase in deposits provided	1,100	502
Acquisitions of other financial assets	32,156	108,214
Acquisitions of property, plant and equipment	674	1,836
Acquisitions of investment properties	2,942	1,428
Acquisitions of intangible assets	2,111	2,632
	(2,688,983)	(2,814,612)
Net cash used in investing activities	(202,263)	(341,576)

(Continued)

**LG CORP.**  
**SEPARATE 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)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash inflows for financing activities:		
Disposals of treasury stock	₩ -	₩ 8,420
	-	8,420
Cash outflows for financing activities:		
Payments of dividends	448,862	439,571
Redemptions of lease liabilities	686	703
Acquisition of treasury stock	167,762	6,160
Cash outflow from spin-off	-	172,814
	(617,310)	(619,248)
Net cash used in financing activities	(617,310)	(610,828)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(18,985)	(261,739)
<b>CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF YEAR</b>	210,756	472,495
<b>CASH AND CASH EQUIVALENTS, AT THE END OF YEAR</b>	₩ 191,771	₩ 210,756

(Concluded)

**See accompanying notes to separate financial statements.**

**LG CORP.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**1. GENERAL:**

LG Corp. (the “Company”) is an investment holding company, which was formed to meet the changes in domestic and international business environments and become a global competitor through an effective management specializing in its business sector. On March 1, 2003, it acquired LG Electronics Inc. (“LGEI”), an investment company, and the real estate lease and investment business company, D&O Corp. (formerly Serveone Co., Ltd.).

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 Company has outstanding capital stock of ₩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:

Name of shareholder	Number of shares	Percentage of shares (%) (*)
Koo, Kwang Mo	25,096,717	15.65
Koo, Bon Sik	7,045,306	4.39
Kim, Young 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 SIGNIFICANT ACCOUNTING POLICIES:**

The separate 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.

Management has reasonable expectations that at the time of approving the separate financial statements, the Company has sufficient resources to continue as an entity for the foreseeable future period. Therefore, management prepared separate financial statements on the premise of going concern.

The Company has adopted the Korean International Financial Reporting Standards (“K-IFRSs”). These are the separate financial statements of the Company in accordance with K-IFRS 1027 (separate financial statements), those presented by a parent, an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with K-IFRS 1109 (Financial Instruments) or K-IFRS 1028 Investment in Associates.

The significant accounting policies under K-IFRS followed by the Company in the preparation of separate financial statements are summarized below. Unless stated otherwise, these accounting policies have been applied consistently to the separate financial statements for the current period and the comparative period.

(1) Amendments to K-IFRSs and new interpretations that are mandatorily effective for the current year

1) Newly adopted and revised standards, their interpretations and thereby changes in accounting policies being effective for the financial year beginning on January 1, 2022, are as follows:

- 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 separate statements of comprehensive income, the separate 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 separate statements 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 separate financial statements in which the entity first applies the amendments. 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 beginning of that earliest period presented.

- 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 K-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 amendment is applied prospectively, i.e., for fair value measurements on or after the date an entity initially applies the amendment.

The Company does not anticipate that the amendments will have a significant impact on its separate financial statements.

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

- K-IFRS 1117 Insurance Contracts (Enactment)

K-IFRS 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes K-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 separate 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 K-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 K-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 an exercise price that is adjusted depending on the issuer's share price change is classified as a 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 Policies, 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 (Amendment)

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, an entity recognizes the following at the beginning of the earliest comparative period:

- 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 Company does not anticipate that the application of the enactment and amendments will have a significant impact on its separate financial statements.

## (2) Basis of preparing separate financial statements

### 1) Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except otherwise stated below, such as financial instruments.

### 2) Functional and reporting currency

The separate financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Company's functional currency and the reporting currency for the separate financial statements are Korean won.

### (3) Foreign currency translation

For the purpose of the separate financial statements, the results of operations and financial position are expressed in Korean won, which is the functional currency of the entity and presentation currency for the separate financial statements.

Transactions that occur in currencies other than the Company's functional currency will be recorded at a translated amount using the exchange rate on the day of the transaction. At the end of the reporting period, all monetary assets and liabilities will be translated using the exchange rate at the end of the reporting date. Meanwhile, non-monetary assets and liabilities measured at fair value will be retranslated using the exchange rate on the day of fair value evaluation, whereas non-monetary assets and liabilities measured at historical cost will not be translated.

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, and
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

### (4) 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 acquisition). Bank overdraft is accounted for as short-term borrowings.

### (5) Financial assets

Financial assets are recognized in the Company's separate statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value, except for trade receivables that do not have a significant financing component that is measured at transaction price. Transaction costs that are directly attributable to the acquisition or issuance of financial assets are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss ("FVTPL") are recognized immediately in profit or loss.

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.

At initial recognition, all recognized financial assets that are within the scope of K-IFRS 1109 are classified as to be amortized cost, fair value through other comprehensive income ("FVTOCI") and FVTPL on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics 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 ("SPPI") on the principal amount outstanding.
- 

Debt instruments that meet the following conditions are measured subsequently at 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 SPPI on the principal amount outstanding.

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

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

- The Company 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 Company 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 of 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 expected credit losses ("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 Company 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 19).

#### 1-2) Debt instruments classified as at FVTOCI

The corporate bonds held by the Company are classified as at FVTOCI. Fair value is determined in the manner described in Note 26. 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 Company 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.

The Company designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see Note 5).

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term.
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company 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 is not 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 'operating income' line item (see Note 4) in profit or loss.

#### 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 Company 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) and
- 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 recognition 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 Company 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 (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend earned on the financial asset and is included in the 'operating income' line item (see Note 4). Meanwhile, interest income on financial assets at FVTPL is included in 'financial income - other' (see Note 19). Fair value is determined in the manner described in Note 26.

#### 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 19).
- 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 19). 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 19).
- 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 Company recognizes a loss allowance for 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 Company 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 Company'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 Company 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 Company 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 Company 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 Company 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 Company'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 relates to the Company'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, for example, 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; and
- 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 assessment above, the Company 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 it has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company 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 Company considers a financial asset to have low credit risk when the asset has an 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 Company 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 contract, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company 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 Company considers the following as constituting an event of default for internal credit risk management purposes, as historical experience indicates that the 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 analysis above, the Company considers that default has occurred when a financial asset is more than 90 days past due, unless it 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 Company 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, for example, 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 more than two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company'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 of 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 Company'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 Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECLs are 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 Company 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 payment to reimburse the holder for a credit loss that it incurs, less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company 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, it 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 Company 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 separate statements of financial position.

### 4) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, it 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 that the Company 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.

### (6) 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 its purchase or construction, which includes any costs directly attributable to bringing the asset to the location and the 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 Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land and some tangible assets, and depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Estimated useful lives (years)</u>
Buildings	25–50
Structures	25
Furniture, fixtures and vehicles	5–12

The Company 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 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.

#### (7) Investment property

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

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

Among the investment properties, land is not depreciated. However, investment properties other than land are depreciated over their useful lives of 25–50 years using the straight-line method. The depreciation method, residual value and useful lives of investment properties are reassessed or reviewed at the end of each annual reporting period, and any changes in them are treated as change in accounting estimates.

Investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. 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.

#### (8) 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) 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.

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

At the end of each reporting period, the Company 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 Company 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 and 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, 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.

(10) Investment in subsidiaries, associates and joint ventures

In accordance with K-IFRS 1027, the Company's separate financial statements are financial statements that were prepared by the parent, or the investor with joint control of, or significant influence over, an investee, and where this parent, or investor, accounts for the investments at cost. The Company chose the cost method based on K-IFRS 1027 to report investments in subsidiaries, associates and joint ventures. Dividends obtained from subsidiaries, associates and joint ventures are recognized in profit or loss when the right to receive dividends is confirmed.

(11) 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.

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 Company are recognized when the proceeds are received, net of direct issue costs.

3) Financial liabilities

Financial liabilities are recognized in the Company's separate statements of financial position when the Company becomes a party to the contractual provisions of the instrument. 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 liabilities are added to, or deducted from, the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial liabilities are classified as either financial liabilities measured at FVTPL or other financial liabilities.

#### 4) Financial liabilities measured at FVTPL

Financial liabilities are classified as financial liabilities measured at FVTPL when they are contingent considerations that may be paid by an acquirer as part of a business combination to which K-IFRS 1103 applies, or they are designated as financial liabilities measured at FVTPL.

#### 5) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### 6) Financial guarantee contract liabilities

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 a debt instrument.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with K-IFRS 1109 (see financial assets above) and
- the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with K-IFRS 1115 set out above.

#### 7) Derecognition of financial liabilities

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

#### (12) Lease

##### 1) The Company as lessee

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company 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 Company 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 Company 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 Company and the lease does not benefit from a guarantee from the Company.

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; and
- 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 separate 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 Company 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 Company 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 IAS 37. 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 underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company 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 item in the separate statements of financial position.

The Company 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. (see Note 2. (9)).

Variable rents that do not depend on an index or a 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 the 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, but to account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contains a lease component and one or more additional lease or non-lease components, the Company 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.

## 2) The Company as lessor

Leases for which the Company 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 Company 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 Company'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 Company's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Company 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 Company applies K-IFRS 1115 to allocate the consideration under the contract to each component.

## (13) 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.

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.

## (14) Employee benefits

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 reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the separate statements of financial position, with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. 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, past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

The Company presents the service cost and net interest expense (income) components in profit or loss, 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 separate statements of financial position represents the actual deficit or surplus in the Company'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.

#### (15) Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits 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.

#### (16) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of value-added tax ("VAT"), returns, rebates and discounts. The Company recognizes revenue when it is reliably measurable and the inflows of future economic benefits are likely. For each type of sale, the Company recognizes revenue as follows:

##### 1) Dividend income

Dividends are recognized as revenue when the right to dividends is determined.

##### 2) Royalty revenue

Income from use of trademark rights is recognized on an accrual basis to reflect related contracts' economic substance.

##### 3) Rental revenue

The Company recognizes revenue for real estate rent income according to passage of time.

##### 4) Interest income

Interest income is recognized through passage of time by the effective interest rate method. When receivables are impaired, the book value of the receivable is reduced to collectible amount (future cash inflows discounted by initial effective interest rate of the financial asset) and increasing amount due to passage of time is recognized as interest income. Initial effective interest rate is used when recognizing interest income from such receivables.

#### (17) Income tax

Income tax expense consists of current tax and deferred tax.

##### 1) Current tax payable

The current tax is computed based on the taxable profit for the year. The taxable profit differs from the profit for the period as reported in the separate statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Company's liability for current tax expense is calculated using tax rates that have been enacted or

substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

## 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 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.

But 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 Company 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 Company 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 Company 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) Recognition of current tax payable and deferred tax

Current and deferred taxes are recognized in profit or loss, except for those related to items other than profit or loss, such as other comprehensive income (loss) or items recognized directly in equity (current taxes and deferred taxes are both recognized in items other than profit or loss) of same or different accounting periods or items arising from initial accounting treatments of a business combination. For business combinations, income tax effects are considered when measuring goodwill or determining the Company's shares in fair value of acquiree's identifiable assets, liabilities and contingent liabilities that exceed cost of business combination.

## (18) Treasury stock

When the Company repurchases its equity instruments ("treasury stock"), the incremental costs that increase in relation to capital transactions, net of tax effect, are deducted from the shareholders' equity and recognized as other capital items deducted from the total equity in the separate statements of financial position. In addition, profits or

losses from purchase, sale or retirement of treasury stocks are directly recognized in shareholders' equity and not in current profit or loss.

#### (19) 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 Company 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 separate 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 1017, *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

#### (20) Derivative financial instruments

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. 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.

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 separate financial statements, unless the Company has both legally enforceable right and intention to offset. 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.

### **3. SIGNIFICANT CONSIDERATION AND MAJOR SOURCES OF ESTIMATION UNCERTAINTIES:**

In the application of the Company's 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 those 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) Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### **1) Defined Benefit Plan**

The Company operates the defined benefit plan. Actuarial assumptions are the Company's best estimates of the variables in determining the cost of providing postretirement benefits such as discount rates, rates of expected future salary increases and mortality rates. Significant estimation uncertainty is likely to persist in making such assumptions due to the long-term nature of postretirement benefit plan. At the end of this year, defined benefit liability of the plan is ₩38,597 million (prior year ₩33,498 million), as detailed in Note 12.

##### **2) Impairment test**

The recoverable amount of cash-generating unit to review the impairment is determined based on the calculation of value in use or fair value, less costs to sell. These calculations are based on future estimates.

### **4. SEGMENT INFORMATION:**

The Company has only one operating segment in accordance with K-IFRS 1108, *Operating Segments*, from entire Company's perspective. Operating segment information for the years ended December 31, 2022 and 2021, is as follows:

#### **(1) Operating income information (Unit: Korean won in millions)**

Sectors	Year ended December 31, 2022	Year ended December 31, 2021
Dividend revenue	₩ 566,697	₩ 518,273
Royalty revenue	365,543	340,801
Rent revenue	135,285	130,686
Total	₩ 1,067,525	₩ 989,760

#### **(2) Regional information**

The Company's operating income is mainly derived from domestic business, and most of its non-current assets are located at South Korea.

#### **(3) Major client information**

Operating income from major clients that cover more than 10% of operating income for the years ended December 31, 2022 and 2021, is ₩793,261 million and ₩736,584 million, respectively.

## 5. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

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

### (1) Financial assets

Financial assets	Account	December 31, 2022		December 31, 2021	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	Cash and cash equivalents	₩ 191,771	₩ 191,771	₩ 210,756	₩ 210,756
Financial assets measured at FVTPL	Derivative assets	9,878	9,878	-	-
	Equity investment	39,589	39,589	8,664	8,664
	Subtotal	49,467	49,467	8,664	8,664
Financial assets measured at FVTOCI	Marketable equity securities	38,925	38,925	38,511	38,511
	Unmarketable equity securities	143,342	143,342	142,134	142,134
	Subtotal	182,267	182,267	180,645	180,645
Financial assets measured at amortized cost	Financial institution deposits	1,736,898	1,736,898	1,550,000	1,550,000
	Other accounts receivable	57,779	57,779	64,568	64,568
	Accrued income	18,991	18,991	5,258	5,258
	Deposits	1,605	1,605	505	505
	Subtotal	1,815,273	1,815,273	1,620,331	1,620,331
Total		₩ 2,238,778	₩ 2,238,778	₩ 2,020,396	₩ 2,020,396

### (2) Financial liabilities

Financial liabilities	Account	December 31, 2022		December 31, 2021	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at FVTPL	Derivative liabilities	₩ -	₩ -	₩ 38,982	₩ 38,982
Financial liabilities measured at amortized cost	Other accounts payable (*)	39,202	39,202	42,072	42,072
	Accrued expenses (*)	1,841	1,841	-	-
	Accrued dividends	423	423	400	400
	Deposits received	84,405	84,405	85,162	85,162
Subtotal		125,871	125,871	127,634	127,634
Lease liabilities	Lease liabilities	1,006	1,006	1,012	1,012
Total		₩ 126,877	₩ 126,877	₩ 167,628	₩ 167,628

(\*) Other accounts payable that do not correspond to financial liabilities are excluded.

## 6. CASH AND CASH EQUIVALENTS:

The cash and cash equivalents in the separate statements of cash flows are the same as the cash and cash equivalents in the separate statements of financial position. Details of cash and cash equivalents as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2022		December 31, 2021	
Cash	₩	4	₩	4
Bank deposits		10		28
Other cash equivalents		191,757		210,724
Total	₩	191,771	₩	210,756

## 7. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES:

As of December 31, 2022 and 2021, accounts receivable and other receivables are not impaired or overdue. Details are as follows (Unit: Korean won in millions):

Description	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Other accounts receivable	₩ 57,779	₩ -	₩ 64,568	₩ -
Accrued income	18,991	-	5,258	-
Deposits	-	1,605	-	505
Total	₩ 76,770	₩ 1,605	₩ 69,826	₩ 505

(\*) Accounts receivable and other receivables are measured as whole-period ECLs in accordance with the K-IFRS 1109 at the end of the current term, and there is no additional loss allowance to be reflected accordingly.

## 8. OTHER ASSETS:

(1) Details of other current 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	₩	1,000	₩	-
Prepaid expenses		734		817
Total	₩	1,734	₩	817

(2) Details of other non-current 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	₩	2,111	₩	2,775
Invested asset for postemployment benefit contract account		3,112		-
Total	₩	5,223	₩	2,775

## 9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY:

- (1) Changes in acquisition cost of property, plant and equipment and investment property for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Year ended December 31, 2022											
Description	Property, plant and equipment						Investment property				Total
	Land	Buildings	Structures	Vehicles	Furniture and fixtures	Construction in progress	Land	Buildings	Structures	Construction in progress	
Beginning balance	₩12,405	₩23,091	₩ 424	₩18,097	₩ 11,877	₩ -	₩442,520	₩ 590,373	₩ 9,370	₩ -	₩1,108,157
Acquisition	-	115	-	13	1,180	97	-	1,629	-	1,313	4,347
Disposals	-	-	-	(24)	-	-	-	-	-	-	(24)
Transfers in	229	525	10	-	-	-	-	-	-	-	764
Transfers out	-	-	-	-	-	-	(229)	(525)	(10)	-	(764)
Ending balance	₩12,634	₩23,731	₩ 434	₩18,086	₩ 13,057	₩ 97	₩442,291	₩591,477	₩ 9,360	₩ 1,313	₩1,112,480

  

Year ended December 31, 2021											
Description	Property, plant and equipment						Investment property				Total
	Land	Buildings	Structures	Vehicles	Furniture and fixtures	Construction in progress	Land	Buildings	Structures	Construction in progress	
Beginning balance	₩12,530	₩23,178	₩ 427	₩17,723	₩ 10,817	₩ -	₩442,448	₩ 588,781	₩ 9,367	₩ -	₩1,105,271
Acquisition	-	77	-	625	1,137	-	-	1,428	-	-	3,267
Disposals	(53)	-	-	(251)	(77)	-	-	-	-	-	(381)
Transfers in	-	-	-	-	-	-	72	164	3	-	239
Transfers out	(72)	(164)	(3)	-	-	-	-	-	-	-	(239)
Ending balance	₩12,405	₩23,091	₩ 424	₩18,097	₩ 11,877	₩ -	₩442,520	₩590,373	₩ 9,370	₩ -	₩1,108,157

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

Year ended December 31, 2022								
Description	Property, plant and equipment					Investment property		Total
	Buildings	Structures	Vehicles	Furniture and fixtures		Buildings	Structures	
Beginning balance	₩ 9,205	₩ 279	₩ 7,115	₩ 7,974		₩ 208,344	₩ 5,086	₩ 238,003
Disposals	-	-	(9)	-		-	-	(9)
Transfers in	242	7	-	-		-	-	249
Transfers out	-	-	-	-		(242)	(7)	(249)
Depreciation	776	15	1,603	632		19,608	323	22,957
Ending balance	₩ 10,223	₩ 301	₩ 8,709	₩ 8,606		₩ 227,710	₩ 5,402	₩ 260,951

  

Year ended December 31, 2021								
Description	Property, plant and equipment					Investment property		Total
	Buildings	Structures	Vehicles	Furniture and fixtures		Buildings	Structures	
Beginning balance	₩ 8,472	₩ 266	₩ 5,747	₩ 7,121		₩ 188,759	₩ 4,758	₩ 215,123
Disposals	-	-	(220)	(77)		-	-	(297)
Transfers in	-	-	-	-		58	2	60
Transfers out	(58)	(2)	-	-		-	-	(60)
Depreciation(*)	791	15	1,588	930		19,527	326	23,177
Ending balance	₩ 9,205	₩ 279	₩ 7,115	₩ 7,974		₩ 208,344	₩ 5,086	₩ 238,003

- (\*) It includes amounts classified as discontinued operating income and expenses in the prior year's separate statements of income.

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

Description	Date of revaluation	Land	Buildings and structures	Total
Book value of investment property:				
Book value (*1)		₩ 451,944	₩ 380,707	₩ 832,651
Result 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
Total		₩ 1,864,114	₩ 616,036	₩ 2,480,150

(\*1) It includes the valuation amounts related to its own use (Book value: ₩22,635 million).

Fair value assessment was performed by an independent third party, Nara 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.

In addition, rental income related to investment property during current period is ₩135,285 million.

# 10. INTANGIBLE ASSETS:

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

Description	December 31, 2022			December 31, 2021		
	Intellectual property rights	Membership	Other	Intellectual property rights	Membership	Other
Acquisition cost	₩ 23,497	₩ 7,132	₩ 10,317	₩ 21,467	₩ 10,691	₩ 9,939
Accumulated depreciation	(15,753)	-	(5,852)	(14,306)	-	(7,237)
Accumulated impairment	-	(337)	-	-	(666)	-
Carrying amounts	₩ 7,744	₩ 6,795	₩ 4,465	₩ 7,161	₩ 10,025	₩ 2,702

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

Year ended December 31, 2022					
Description	Intellectual property rights	Membership	Other	Total	
Beginning balance	₩ 7,161	₩ 10,025	₩ 2,702	₩	19,888
Acquisition	-	458	2,618		3,076
Disposal	-	(4,017)	(56)		(4,073)
Transfers in (out)	2,030	-	-		2,030
Reversal of impairment loss	-	329	-		329
Amortization	(1,447)	-	(799)		(2,246)
Ending balance	₩ 7,744	₩ 6,795	₩ 4,465	₩	19,004

  

Year ended December 31, 2021					
Description	Intellectual property rights	Membership	Other	Total	
Beginning balance	₩ 7,069	₩ 8,605	₩ 2,551	₩	18,225
Acquisition	-	1,727	905		2,632
Disposal	(35)	(307)	-		(342)
Transfers in (out)	1,469	-	-		1,469
Reversal of impairment loss	-	-	-		-
Amortization (*)	(1,342)	-	(754)		(2,096)
Ending balance	₩ 7,161	₩ 10,025	₩ 2,702	₩	19,888

(\*) It includes amounts classified as discontinued operating income and expenses in the prior year's separate statements of income.

# **11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES:**

(1) Composition of the Company's investments in subsidiaries as of December 31, 2022 and 2021, is as follows  
(Unit: Korean won in millions):

December 31, 2022						
Companies	Location of incorporation	Major operation	Closing date	Percentage of ownership (%)	Percentage of ownership (common stock) (%)	Book value
LG CNS Co., Ltd. (*1)	South Korea	Services	12-31	49.95	49.95	₩ 194,355
D&O Corp.	South Korea	Renting	12-31	100.00	100.00	250,054
LG Sports Ltd.	South Korea	Services	12-31	100.00	100.00	106,097
LG Management Development Institute	South Korea	Research and development	12-31	100.00	100.00	17,203
LG Holdings Japan Co., Ltd.	Japan	Renting	12-31	100.00	100.00	191,080
		Total				₩ 758,789

  

December 31, 2021						
Companies	Location of incorporation	Major operation	Closing date	Percentage of ownership (%)	Percentage of ownership (common stock) (%)	Book value
LG CNS Co., Ltd. (*1)	South Korea	Services	12-31	49.95	49.95	₩ 194,355
D&O Corp.	South Korea	Renting	12-31	100.00	100.00	250,054
LG Sports Ltd.	South Korea	Services	12-31	100.00	100.00	106,097
LG Management Development Institute	South Korea	Research and development	12-31	100.00	100.00	17,203
LG Holdings Japan Co., Ltd.	Japan	Renting	12-31	100.00	100.00	191,080
		Total				₩ 758,789

(\*1) Although it has had 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 subsidiary.

(2) Composition of the Company's investments in associates and joint ventures as of December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

December 31, 2022						
Companies	Location of incorporation	Major operation	Closing date	Percentage of ownership (%)	Percentage of ownership (common stock) (%)	Book value
LG Electronics Inc.	South Korea	Manufacturing	12-31	30.47	33.67	₩ 2,804,603
LG Chem Ltd.	South Korea	Manufacturing	12-31	30.06	33.34	1,621,178
LG Household & Health Care Ltd.	South Korea	Manufacturing	12-31	30.00	34.03	141,608
LG Uplus Corp.	South Korea	Telecommunications	12-31	37.66	37.66	1,252,052
GIIR Corporation	South Korea	Hoardings	12-31	35.00	35.00	39,496
LG Hitachi Co., Ltd. (*1)	South Korea	Services	12-31	0.00	0.00	-
ZKW Holding GmbH (*2)	Austria	Manufacturing	12-31	30.00	30.00	160,226
ZKW Austria Immobilien Holding GmbH(*2)	Austria	Manufacturing	12-31	30.00	30.00	8,758
Total						₩ 6,027,921
December 31, 2021						
Companies	Location of incorporation	Major operation	Closing date	Percentage of ownership (%)	Percentage of ownership (common stock) (%)	Book value
LG Electronics Inc.	South Korea	Manufacturing	12-31	30.47	33.67	₩ 2,804,603
LG Chem Ltd.	South Korea	Manufacturing	12-31	30.06	33.34	1,621,178
LG Household & Health Care Ltd.	South Korea	Manufacturing	12-31	30.00	34.03	141,608
LG Uplus Corp.	South Korea	Telecommunications	12-31	37.66	37.66	1,252,052
GIIR Corporation	South Korea	Hoardings	12-31	35.00	35.00	39,496
LG Hitachi Co., Ltd. (*1)	South Korea	Services	12-31	49.00	49.00	6,954
ZKW Holding GmbH (*2)	Austria	Manufacturing	12-31	30.00	30.00	160,226
ZKW Austria Immobilien Holding GmbH(*2)	Austria	Manufacturing	12-31	30.00	30.00	8,758
Total						₩ 6,034,875

(\*1) The disposal of the investments in associates was completed after ₩2,632 million of impairment loss was recognized during the current period.

(\*2) During the prior year, signs of impairment for ZKW Holding GmbH and ZKW Austria Immobilien Holding GmbH were identified, and an impairment loss of ₩216,132 million and ₩6,531 million was recognized as a result of reviewing the recoverable value. The recoverable value was determined based on the utility value, and it is affected by changes in major assumptions, such as a permanent growth rate of 2% and a discount rate of 10.89% to 12.89% after five years applied when using the future cash flow discount technique.

## 12. RETIREMENT BENEFIT PLAN:

The Company operates a defined benefit plan for its employees, and according to the plan, the employees will be paid his or her average salary amount 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 liability is performed by Aon Hewitt, which is a reputable actuary, using the projected unit credit method.

- (1) As of December 31, 2022 and 2021, amounts recognized in the separate statements of financial position related to net retirement benefit liability are as follows (Unit: Korean won in millions):

Description	December 31, 2022	December 31, 2021
Present value of defined benefit liability	₩ 38,597	₩ 33,498
Fair value of plan assets	(41,709)	(33,238)
(Surplus) deficit	(3,112)	260
Net defined benefit (asset) liability	₩ (3,112)	₩ 260

- (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	₩ 33,498	₩ 34,053
Current service cost	5,218	4,762
Interest cost	883	743
Remeasurement on the net defined benefit liability	(276)	2,099
Benefits paid	(1,136)	(1,465)
Classification as liabilities held for distribution to owners	-	(2,233)
Other	410	(4,461)
Ending balance	₩ 38,597	₩ 33,498

- (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	₩ 5,218	₩ 4,762
Current service cost	5,218	4,762
Net interest on the net defined benefit liability	8	110
Interest cost on defined benefit liability	883	743
Comprising interest on plan assets	(875)	(633)
Operational management fee on plan assets	53	48
Total	₩ 5,279	₩ 4,920

- (\*) It includes amounts classified as discontinued operating income and expenses in the prior year's separate statements of income.

(4) Changes in 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	₩	33,238	₩	29,179
Comprising interest on plan assets		875		633
Remeasurement return on plan assets		(215)		(120)
Benefits paid		(1,136)		(1,465)
Contributions from the employer		9,000		5,700
Operational management fee on plan assets		(53)		(48)
Classification as liabilities held for distribution to owners		-		(641)
Ending balance	₩	41,709	₩	33,238

(5) All of the plan assets are mainly 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 (%)	5.29	2.75
Expected rate of salary increase (%)	6.69	5.84

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

Description	December 31, 2022		
	Center scenario	+ 1%	- 1%
Change in discount rate	₩ 38,597	₩ 35,729	₩ 41,874
Change in rate of salary increase	38,597	41,793	35,739

(\*) The above sensitivity is estimated based on the assumption that not all the assumptions will change, except for discount rate and rate of salary increase.

Description	December 31, 2021		
	Center scenario	+ 1%	- 1%
Change in discount rate	₩ 33,498	₩ 30,910	₩ 36,484
Change in rate of salary increase	33,498	36,360	30,958

(\*) The above sensitivity is estimated based on the assumption that not all the assumptions will change, except for discount rate and rate of salary increase.

(8) Remeasurement related to net defined benefit liability 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	₩ (142)	₩ (160)
Actuarial (losses) gains arising from changes in financial assumptions	(5,725)	755
Actuarial gains arising from experience	5,963	4,733
Return on plan assets, excluding amounts included in interest income	215	120
Actuarial losses arising from transfer in/out adjustment	(372)	(3,229)
Total	₩ (61)	₩ 2,219

Meanwhile, the Company added ₩14 million arising from income tax effect for actuarial gain (loss) during the current period.

(9) Estimated contribution that will be paid in the next fiscal year is as follows (Unit: Korean won in millions):

	2023
Estimated contributions to plan assets	₩ 1,605

### 13. OTHER LIABILITIES:

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
Advances from lease	₩ -	₩ 3,603	₩ -	₩ 4,069
VAT withheld	7,641	-	5,023	-
Withholdings	2,234	-	810	-
Total	₩ 9,875	₩ 3,603	₩ 5,833	₩ 4,069

#### 14. ISSUED CAPITAL AND OTHER CAPITAL ITEMS:

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

Type of stock	December 31, 2022				
	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 (*1)	-	3,021,620	-	5,000	15,108

  

Type of stock	December 31, 2021				
	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 (*1)	-	3,021,620	-	5,000	15,108

(\*1) 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, it is granted voting rights for the period from the shareholders' meeting that resolved not to pay to the shareholders to the 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	₩ (1,569,515)	₩ (2,385)
Disposal of treasury stock	-	2,385
Losses on capital reduction by spin-off	-	(1,563,355)
Acquisition of treasury stock	(167,762)	(6,160)
Ending balance	₩ (1,737,277)	₩ (1,569,515)

Meanwhile, the Company has 2,180,794 shares of common stock and 10,421 shares of preferred stock and the carrying amounts of common stock and preferred stock are ₩173,168 million and ₩754 million, respectively, as of December 31, 2022. The Company had 49,828 shares of common stock and 10,421 shares of preferred stock and the carrying amounts of common stock and preferred stock are ₩5,406 million and ₩754 million, respectively, as of December 31, 2021.

#### 15. CAPITAL SURPLUS:

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

Description	December 31, 2022	December 31, 2021
Paid-up capital in excess of par value	₩ 898,266	₩ 898,266
Assets' revaluation reserves	338,100	338,100
Other capital surplus	1,177,210	1,177,210
Total	₩ 2,413,576	₩ 2,413,576

# **16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):**

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

Description	December 31, 2022	December 31, 2021
Gain on valuation of other financial assets	₩ 42,645	₩ 23,965

- (2) Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	2022	2021
Beginning balance	₩ 23,965	₩ 35,940
Changes in valuation of other financial assets	12,239	(15,798)
Related income tax	(2,843)	3,823
Transfer due to the disposal of other financial assets	9,284	-
Ending balance	₩ 42,645	₩ 23,965

# **17. RETAINED EARNINGS AND DIVIDENDS:**

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

Description	December 31, 2022	December 31, 2021
Retained earnings restricted to appropriation (*)	₩ 419,963	₩ 419,963
Retained earnings subject to appropriation	7,599,894	7,320,655
Total	₩ 8,019,857	₩ 7,740,618

- (\*) According to the commercial law, more than 10% of the monetary dividend is set aside as legal reserve at each settlement period until it reaches 50% of the paid-in capital. But as of the end of the reporting period, the Company's legal reserve exceeds 50% of the paid-in capital, so there is no obligation to set aside additional amount.

- (2) 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	₩ 7,740,618	₩ 6,947,881
Profit for the year	737,361	1,234,012
Dividends	(448,885)	(439,593)
Remeasurement on the net defined benefit liability	47	(1,682)
Transfer due to the disposal of other financial assets	(9,284)	-
Ending balance	₩ 8,019,857	₩ 7,740,618

- (3) Separate statements of appropriation of retained earnings for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

	Korean won	
	Year ended December 31, 2022	Year ended December 31, 2021
<b>UNAPPROPRIATED RETAINED EARNINGS:</b>		
Unappropriated retained earnings carried over from prior year	₩ -	₩ -
Profit for the year	737,361	1,234,012
Transfer due to the disposal of other financial assets	(9,284)	-
Remeasurement on the defined benefit plans	47	(1,682)
	<u>728,124</u>	<u>1,232,330</u>
<b>APPROPRIATION:</b>		
Legal reserve	-	-
Dividends	474,545	448,885
Cash Dividend per share(%)		
Current year (Korean won):		
Common stock ₩ 3,000 (60%)		
Preferred stock ₩ 3,050 (61%)		
Prior year (Korean won):		
Common stock ₩ 2,800 (56%)		
Preferred stock ₩ 2,850 (57%)		
Other reserve	<u>253,579</u>	<u>783,445</u>
	<u>728,124</u>	<u>1,232,330</u>
<b>UNAPPROPRIATED RETAINED EARNINGS CARRIED FORWARD TO SUBSEQUENT YEAR</b>	<u>₩ -</u>	<u>₩ -</u>

- (4) The amount of dividends and dividends per share for the years ended December 31, 2022 and 2021, is 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 stocks eligible for dividend	Dividend per share (Korean won)	Total dividend
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 stocks eligible for dividend	Dividend per share (Korean won)	Total dividend
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

# **18. OPERATING INCOME:**

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

	Year ended December 31, 2022		Year ended December 31, 2021	
<b>Operating income:</b>				
Dividends revenue	₩	566,697	₩	518,273
Royalties revenue		365,543		340,801
Rental revenue		135,285		130,686
		<u>1,067,525</u>		<u>989,760</u>
<b>Operating expenses:</b>				
Employee benefit:				
Salaries and wages		48,363		53,943
Severance benefits		5,225		4,739
Welfare		5,657		4,893
		<u>59,245</u>		<u>63,575</u>
Depreciation		<u>23,613</u>		<u>23,758</u>
Other operating expenses:				
Amortization of intangible assets		2,246		2,074
Taxes and dues		10,400		9,133
Advertising expenses		70,518		80,920
Training expenses		1,274		1,298
Commission		58,120		50,227
Insurance premium		366		375
Operating lease expense		194		201
Other selling and administrative expenses		20,104		17,826
		<u>163,222</u>		<u>162,054</u>
<b>Net operating income</b>	₩	<u>821,445</u>	₩	<u>740,373</u>

# **19. 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):

Description	Year ended December 31, 2022		Year ended December 31, 2021	
Interest income	₩	42,720	₩	16,445
Gain on financial warranty		14		58
Gain on foreign currency transaction and translation		133		10
Gains on valuation of derivatives		48,860		213
Total	₩	<u>91,727</u>	₩	<u>16,726</u>

(2) Financial income consists of interest income, the details of which, 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 measured at amortized cost (*)	₩	42,720	₩	16,445

(\*) Interest income from cash and cash equivalents is included.

(3) Financial 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
Interest expense	₩ 466	₩ 429
Loss on foreign currency transaction and translation	59	5
Loss on disposal of other financial assets	71	-
Loss on valuation of other financial assets	1,231	-
Total	₩ 1,827	₩ 434

(4) Financial expenses consist of interest expense, the details of which, 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 liabilities measured at amortized cost	₩ 439	₩ 410
Interest expense of lease liabilities	27	19
Total	₩ 466	₩ 429

(5) Net gain (loss) from financial instruments 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
Financial assets:		
Other financial assets (*1)	₩ 11,762	₩ (14,905)
Financial assets measured at amortized cost (*2)	42,681	16,446
Derivative assets	48,860	-
Subtotal	103,303	1,541
Financial liabilities:		
Financial liabilities measured at amortized cost	(326)	(406)
Other financial liabilities	(27)	(19)
Derivative liabilities	-	213
Subtotal	(353)	(212)
Total	₩ 102,950	₩ 1,329

(\*1) It includes dividend income and valuation gain or loss recognized in other comprehensive income.

(\*2) It includes net income (loss) incurred from cash and cash equivalents and financial institution deposits.

## 20. 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 payable	₩ 85,306	₩ 76,159
Adjustment for prior corporate taxes	(64)	1,546
Changes in deferred tax assets:	85,438	8,981
Beginning deferred tax assets due to temporary differences	(66,514)	(63,667)
Ending deferred tax assets due to temporary differences	(154,809)	(66,510)
Deferred taxes directly reflected in equity	(2,857)	4,360
Deferred taxes from spin-off	-	1,778
Taxes directly reflected in equity	-	(1,460)
Income tax expense	₩ 170,680	₩ 85,226

- (\*) It includes amounts classified as discontinued operating income and expenses in the prior year's separate statements of income.

- (2) A reconciliation between accounting income before income tax and income tax expense of the Company 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
Income before income tax expense	₩ 908,041	₩ 1,319,238
Tax expense calculated on book income	239,349	352,429
Adjustments:	(68,669)	(267,203)
Non-taxable income	(124,250)	(338,541)
Non-deductible expenses	1,140	62,775
Adjustment for prior corporate taxes	(64)	1,546
Change in deferred taxes due to the revision of the tax law	62,912	-
Others (differences due to the tax rates, etc.)	(8,407)	7,017
Income tax expense	₩ 170,680	₩ 85,226

- (3) Income tax directly reflected in equity 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
Revaluation of other financial assets	₩ (2,843)	₩ 3,823
Remeasurement of net defined benefit liability	(14)	537
Total deferred tax directly reflected in equity	₩ (2,857)	₩ 4,360

(4) 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 (*1)	Reflected in income (loss)	Reflected in equity	Replaced	Ending Balance
Temporary differences:					
Investments in subsidiaries and associates	₩ (68,848)	₩ (63,072)	₩ -	₩ -	₩ (131,920)
Property, plant and equipment	20,600	853	-	-	21,453
Intangible assets	161	(83)	-	-	78
Other financial assets	(2,520)	(7,034)	(2,843)	-	(12,397)
Provisions	128	(779)	(14)	-	(665)
Other financial assets (liabilities)	4,941	(1,183)	-	-	3,758
Others	(20,976)	(14,140)	-	-	(35,116)
Deferred tax liabilities	₩ (66,514)	₩ (85,438)	₩ (2,857)	₩ -	₩ (154,809)

  

Description	Year ended December 31, 2021				
	Beginning balance (*1)	Reflected in income (loss)	Reflected in equity	Replaced	Ending balance
Temporary differences:					
Investments in subsidiaries and associates	₩ (71,083)	₩ -	₩ -	₩ 2,235	₩ (68,848)
Property, plant and equipment	18,869	1,731	-	-	20,600
Intangible assets	161	-	-	-	161
Other financial assets	(6,437)	94	3,823	-	(2,520)
Provisions	1,025	(1,063)	537	(371)	128
Other financial assets (liabilities)	3,431	1,596	-	(86)	4,941
Others	(9,633)	(11,339)	-	-	(20,972)
Deferred tax (liabilities) assets	₩ (63,667)	₩ (8,981)	₩ 4,360	₩ 1,778	₩ (66,510)

(\*1) The opening balance includes the difference between the previous year's settlement adjustments.

(5) As of December 31, 2022, temporary differences not recognized as deferred tax assets (liabilities) related to investment assets and equity interest are as follows (Unit: Korean won in millions):

Description	December 31, 2022
Investments in subsidiaries	₩ (326,267)
Investments in associates and joint ventures	1,747,866
Total	₩ 1,421,599

## 21. EARNINGS PER SHARE:

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

Description	Year ended December 31, 2022	Year ended December 31, 2021
Basic earnings per share of common share		
Continuing operation	₩ 4,626	₩ 2,826
Discontinued operations	-	4,631
Total	₩ 4,626	₩ 7,457
Basic earnings per share of Pre-1996 Commercial Law Amendment preferred share (*)		
Continuing operation	₩ 4,676	₩ 2,876
Discontinued operations	-	4,631
Total	₩ 4,676	₩ 7,507

(\*) Basic earnings per share are calculated for preferred shares, which K-IFRS 1033 *Earnings Per Share* clarify as common shares, 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	₩ 737,361	₩ 1,234,012
Less dividends for Pre-1996 Commercial Law Amendment preferred share and preferred stock portion of residual profit	(14,081)	(23,361)
Net income used to calculate basic earnings per share of common share	723,280	1,210,651
Continuing operating profit used to calculate basic earnings per share of common share of continuing operating	723,280	458,845
Discontinued operating profit used to calculate basic earnings per share of common share of discontinued operating	-	751,806
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 preferred share and preferred stock portion of residual profit	₩ 14,081	₩ 23,361
Net income used to calculate basic earnings per share of preferred share	14,081	23,361
Continuing operating profit used to calculate basic earnings per share of preferred share of continuing operating	14,081	8,951
Discontinued operating profit used to calculate basic earnings per share of preferred share of discontinued operating	-	14,410
Weighted-average number of preferred shares	3,011,199 shares	3,111,860 shares

- (4) As there are no potential common shares of the Company, diluted earnings per share of common shares and preferred shares are equal to basic earnings per share.

## 22. RELATED-PARTY TRANSACTIONS:

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

December 31, 2022			
Companies with direct ownership	Companies with direct ownership's subsidiaries (domestic) (*1)	Companies with direct ownership's subsidiaries (overseas) (*1)	Companies with direct ownership's associates
<b>Subsidiaries:</b>			
LG CNS Co., Ltd.	Biztech I Co., Ltd. (*2) Haengbokmaru Co., Ltd. Open Source Consulting Co., Ltd Right Brain Co., Ltd. Biztech On Co., Ltd. (*2)	LG CNS China, Inc. and 12 others	T-money Co., Ltd Songdo U-Life LLC. T-money CSP Co., Ltd U Life Solutions Songdo International Sports Club LLC. Daegu clean energy Co., Ltd. SMDep Co., Ltd. Cloudgram Co., Ltd. Korea DRD Co., Ltd. HEMPKING Co., Ltd. Danbee INC Co., Ltd. bithumb META Co., Ltd. (*3) SEJONG SMART CITY CO., LTD. (*3) Recaudo Bogota S.A.S. T-money Asia sdn bhd Hellas SmarTicket Societe Anonyme Ulaanbaatar Smart card Co, LLC Dongnam Solar Energy Co., Ltd. Serveone Co., Ltd. XI C&A Co., Ltd.(formerly S&I Construction Co., Ltd.) (*4) S&I Corp.(formerly S&I Atxpert Co., Ltd.)(*4) Dream nuri Co., Ltd.(*5) Zeit C&A NANJING Co., Ltd.(*6) Zeit C&A Vietnam construction Co., Ltd(*6) Zeit C&A POLAND Sp.z o o. (*6) Office Depot Korea CO., Ltd. (*7) SERVEONE(Nanjing).Co., LTD SERVEONE(Guangzhou) Co., Ltd SERVEONE VIETNAM Co., Ltd Serveone Europe Sp. z o.o. SERVEONE MRO INDONESIA SERVONE AMERICA. INC SERVONE Hungary kft. (*8)
D&O Corp. (formerly S&I Corporation Co., Ltd.)	Mirae M Co., Ltd. D&O CM Corp.(formerly S&I CM Co., Ltd.)	D&O CM NANJING and 2 others	
LG Management Development Institute LG Sports Ltd. LG Holdings Japan Co., Ltd.			
<b>Associates:</b>			
LG Electronics Inc.	Hi Plaza Inc. Hi-M Solutech Co., Ltd. HITeleservice Co., Ltd. Ace R&D Co., Ltd.	LG Electronics Mexico S.A. DE C.V. and others	

December 31, 2022			
Companies with direct ownership	Companies with direct ownership's subsidiaries (domestic) (*1)	Companies with direct ownership's subsidiaries (overseas) (*1)	Companies with direct ownership's associates
	LG innotek Co., Ltd. Innowith Co., Ltd. Hanuri Co., Ltd. ZKW Lighting Systems HiCare Solution Co., Ltd. LG Magna e-Powertrain Co., Ltd. APPLEMANGO CO., LTD (*9)		
LG Chem Ltd.	Haengboknuri Co., Ltd.	LG Chem America, Inc. and others	
	LGBCM FarmHannong Co., Ltd. LG Energy Solution. Co., Ltd. Areumnuri Co. Ltd.		
LG Uplus Corp.	CS Leader Ain Teleservice With U Co., Ltd. LG Hello Vision Co., Ltd. Uplus Home Service Co., Ltd. CV Partners Co., Ltd. Murex wave active senior Fund MEDIA LOG Co., Ltd. CS One Partner	DACOM America Inc.	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.  Hankook Beverage Co., Ltd. HAITAI HTB Co., Ltd. FMG Co., Ltd. Balkeunnuri Co., Ltd. LG Farouk Co. Mizen Story Co., Ltd TAI GUK PHARM Co., Ltd. Ulleung Mountain Chu Spring Water Development Company Rucipello KOREA Co., Ltd Gounnuri Co., Ltd. Konjiam Yewon Co., Ltd.(*10)	Beijing LG Household Chemical Co., Ltd. and others	
GIIR Corporation	HS Ad Co., Ltd. L. Best	GIIR America Inc. and others	
ZKW Holding GmbH	ZKW Lighting Systems Korea Co., Ltd	ZKW Group GmbH	
ZKW Austria Immobilien Holding GmbH		ZKW Austria Immobilien GmbH	
<b>Other related parties' affiliates by the Act (*11)</b>			
LG Display Co., Ltd.	Nanummnuri 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(*12)			

(\*1) Joint ventures of associates are excluded.

(\*2) During the current year, Biztechpartners Co., Ltd. carried out a spin-off and was split into Biztech I Co., Ltd. and Biztech On Co., Ltd.

(\*3) It was classified as affiliate of LG CNS Co., Ltd. due to the acquisition of shares during the current year.

(\*4) It was classified as affiliate of D&O Corp. due to the disposal 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 Serveone Co., Ltd. due to the acquisition of shares during the current year.
- (\*8) It was established as subsidiary of Serveone Co., Ltd. during the current year.
- (\*9) It was classified as subsidiary of LG Electronics Inc. due to the acquisition of shares during the current year.
- (\*10) During the current year, the classification was changed from a subsidiary of D&O Corp. to LG Household & Health Care Ltd.
- (\*11) 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.
- (\*12) It was incorporated as related party during current year.

December 31, 2021			
Companies with direct ownership	Companies with direct ownership's subsidiaries (domestic) (*1)	Companies with direct ownership's subsidiaries (overseas) (*1)	Companies with direct ownership's associates
<b>Subsidiaries:</b>			
LG CNS Co., Ltd.	Biztechpartners Co., Ltd. Haengbokmaru Co., Ltd. Open Source Consulting Co., Ltd Right Brain Co., Ltd. (*2)	LG CNS China, Inc. and 13 others	T-money Co., Ltd Songdo U-Life LLC. T-money CSP Co., Ltd U Life Solutions Songdo International Sports Club LLC. Daegu clean energy Co., Ltd. SMDep Co., Ltd. Cloudgram Co., Ltd. Korea DRD Co., Ltd. HEMPKING Co., Ltd. Danbee INC Co., Ltd. Recaudo Bogota S.A.S. T-money Asia sdn bhd Hellas SmarTicket Societe Anonyme Ulaanbaatar Smart card Co, LLC Dongnam Solar Energy Co., Ltd.
S&I Corporation Co., Ltd.	Konjiam Yewon Co., Ltd.(*12)  Mirae M Co., Ltd. Dream nuri Co., Ltd. S&I CM Co., Ltd.  S&I Construction Co., Ltd. (*3) S&I atxpert Co., Ltd. (*3)	S&I Vietnam Construction Co., Ltd. and 2 Others S&I CM NANJING and 2 others	Serveone Co., Ltd. SERVEONE(Nanjing).Co., LTD SERVEONE(Guangzhou) Co., Ltd SERVEONE VIETNAM Co., Ltd Serveone Europe Sp. z o.o. SERVEONE MRO INDONESIA PT ARJUNA SEJAHTERA MAKMUR(*13) SERVONE AMERICA. INC (*4)
LG Management Development Institute LG Sports Ltd. LG Holdings Japan Co., Ltd.			
<b>Associates:</b>			
LG Electronics Inc.	Hi Plaza Inc.  Hi-M Solutech Co., Ltd. HITeleservice Co., Ltd. Ace R&D Co., Ltd. LG innotek Co., Ltd. Innowith Co., Ltd. Hanuri Co., Ltd. ZKW Lighting Systems HiCare Solution Co., Ltd. (*5) LG Magna e-Powertrain Co., Ltd. (*6)	LG Electronics Mexico S.A. DE C.V. and others	

December 31, 2021			
Companies with direct ownership	Companies with direct ownership's subsidiaries (domestic) (*1)	Companies with direct ownership's subsidiaries (overseas) (*1)	Companies with direct ownership's associates
LG Chem Ltd.	Haengboknuri Co., Ltd. LGBCM(*7) FarmHannong Co., Ltd. LG Energy Solution. Co., Ltd. Areumnuri Co. Ltd. (*8)	LG Chem America, Inc. and others	
LG Uplus Corp.	CS Leader Ain Teleservice With U Co., Ltd. LG Hello Vision Co., Ltd. Uplus Home Service Co., Ltd. CV Partners Co., Ltd. Murex wave active senior Fund (*9) MEDIA LOG Co., Ltd. CS One Partner	DACOM America Inc. and others	
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.  Hankook Beverage Co., Ltd. HAITAI HTB Co., Ltd. FMG Co., Ltd. Balkeunnuri Co., Ltd. LG Farouk Co. Mizen Story Co., Ltd TAI GUK PHARM Co., Ltd. Ulleung Mountain Chu Spring Water Development Company Rucipello KOREA Co., Ltd LOA Korea Co., Ltd(*14) Gounnuri Co., Ltd. (*10)	Beijing LG Household Chemical Co., Ltd. and others	
GIIR Corporation	HS Ad Co., Ltd. L. Best	GIIR America Inc. and others	
LG Hitachi Co., Ltd.(*13)			
ZKW Holding GmbH	ZKW Lighting Systems Korea Co., Ltd	ZKW Group GmbH and others	
ZKW Austria Immobilien Holding GmbH		ZKW Austria Immobilien GmbH	
<b>Other related parties' affiliates by the Act (*15)</b>			
LG Display Co., Ltd.	Nanummnuri Co., Ltd	LG Display Nanjing Co. Ltd. and others.	
Robostar Co., Ltd.		ROBOSTAR (SHANGHAI) CO., LTD.	
SEETEC Co., Ltd. DACOM Crossing Corporation LX Holdings Co., Ltd. (*11) LX Hausys, Co., Ltd. (*11)	Greennuri Co. Ltd.	LX Hausys America, Inc. and others LX Semicon U.S.A. Inc. and others.	
LX Semicon Co., Ltd. (*11)			
LX International Corp. (*11)	Dangjin Tank Terminal Co., Ltd.  LX Pantos Co., Ltd. Pantos Busan Newport Logistics Center Co., Ltd. Helistar Air Co., Ltd. Hanultari Co., Ltd.	LX International (America) Inc. and others.	
LX MMA Corp. (*11)			

(\*1) Joint ventures of associates are excluded.

(\*2) It was classified as affiliate of LG CNS Co., Ltd. due to the acquisition of shares during the prior year.

(\*3) During the prior year, it was established through dropdown by S&I Corporation Co., Ltd.

(\*4) It was established as subsidiary of Serveone Co., Ltd. during the prior year.

- (\*5) During the prior year, it was established through spin-off by Hi-M Solutec Co., Ltd.  
 (\*6) It was established as subsidiary of LG Electronics Inc. during the prior year.  
 (\*7) It was established as subsidiary of LG Chem Ltd. during the prior year.  
 (\*8) It was established as subsidiary of LG Energy Solution. Co., Ltd. during the prior year.  
 (\*9) It was established as subsidiary of LG Uplus Corp. during the prior year.  
 (\*10) It was established as subsidiary of Coca-Cola Beverage Co. during the prior year.  
 (\*11) As of June 21, 2022, it was excluded from related parties  
 (\*12) During the current year, the classification was changed from a subsidiary of D&O Corp. to LG Household & Health Care Ltd.  
 (\*13) It was excluded due to the disposal of shares during the current year.  
 (\*14) It was liquidated during the current year.  
 (\*15) 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) Major 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					
	Revenue and others		Acquisition of assets		Other purchase	
<b>Subsidiaries:</b>						
LG CNS Co., Ltd.	₩	64,158	₩	2,673	₩	4,419
Biztech I Co., Ltd.		-		-		47
D&O Corp. (*1)		25,102		2,596		41,331
S&I Crop.(formerly S&I Atxpert Co., Ltd.)		3		-		6,692
LG Management Development Institute		3,653		-		1,376
LG Sports Ltd.		117		-		30
LG Holdings Japan Co., Ltd.		29		-		-
<b>Associates:</b>						
LG Electronics Inc. (*2)		250,474		5		1,168
LG Chem Ltd. (*2)		404,925		-		9
LX Hausys, Ltd.(formerly LG Hausys, Ltd.)		-		-		-
LG Household & Health Care Ltd. (*2)		81,373		-		-
LG Uplus Corp. (*2)		139,135		-		119
GIIR Corporation (*2)		2,030		-		14,393
LX Semicon Co., Ltd.(formerly Silicon Works Co., Ltd)		-		-		-
LG Hitachi Co., Ltd.		82		-		-
LX International Corp. (formerly LG International Corp.) (*2)		-		-		-
<b>Joint ventures:</b>						
LX MMA Corp(formerly LG MMA Corp.)		-		-		-
<b>Other related parties' affiliates by the Act: (*3)</b>						
LG display Co., Ltd.		60,592		-		-
LX Holdings Co., Ltd. and others		10,965		-		2
Total	₩	1,042,638	₩	5,274	₩	69,586

Year ended December 31, 2021						
	Revenue and others		Acquisition of assets		Other purchase	
<b>Subsidiaries:</b>						
LG CNS Co., Ltd.	₩	52,183	₩	995	₩	3,732
Biztech I Co., Ltd.		-		-		47
D&O Corp. (*1)		11,604		454		31,666
S&I Crop.(formerly S&I Atxpert Co., Ltd.)		5		783		13,360
LG Management Development Institute		3,452		-		1,490
LG Sports Ltd.		156		-		13,630
LG Holdings Japan Co., Ltd.		62		-		-
<b>Associates and subsidiaries:</b>						
LG Electronics Inc. (*2)		256,449		18		538
LG Chem Ltd. (*2)		336,917		-		12
LX Hausys, Ltd.(formerly LG Hausys, Ltd.)		5,473		-		-
LG Household & Health Care Ltd. (*2)		78,115		-		2
LG Uplus Corp. (*2)		143,218		-		926
GIIR Corporation (*2)		3,002		-		14,608
LX Semicon Co., Ltd.(formerly Silicon Works Co., Ltd)		7,264		-		-
LG Hitachi Co., Ltd.		108		-		-
LX International Corp. (formerly LG International Corp.) (*2)		8,556		-		3
<b>Joint ventures:</b>						
LX MMA Corp(formerly LG MMA Corp.)		24,802		-		-
<b>Other related parties' affiliates by the Act: (*3)</b>						
LG display Co., Ltd.		68,420		-		-
LX Holdings Co., Ltd. and others		18,412		567		-
Total	₩	1,018,198	₩	2,817	₩	80,014

(\*1) It includes receivables and liabilities with a subsidiary's associates.

(\*2) It includes transactions with an associates' subsidiary.

(\*3) 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.

The above transaction details include amounts classified as discontinued operating income and expenses in the prior year's separate statements of income.

- (3) Outstanding receivables and payables from transactions with related parties as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

		December 31, 2022			
		Accounts receivable and others	Loans	Accounts payable and others	
<b>Subsidiaries:</b>					
LG CNS Co., Ltd.	₩	1,814	₩ -	₩	6,471
D&O Corp. (*1)		48	-		2,838
S&I Crop.(formerly S&I Atxpert Co., Ltd.)		-			-
LG Management Development Institute		132	-		2,021
LG Sports Ltd.		21	-		-
LG Holdings Japan Co., Ltd.		18	-		-
<b>Associates and subsidiaries:</b>					
LG Electronics Inc. (*2)		17,705	-		25,749
LG Chem Ltd. (*2)		30,349	-		10,335
LG Household & Health Care Ltd. (*2)		1	-		7,777
LG Uplus Corp (*2)		195	-		8,456
GIIR Corporation (*2)		-	-		20,366
LG Hitachi Co., Ltd.		-	-		-
<b>Other related parties' affiliates by the Act: (*3)</b>					
LG Display Co., Ltd.		6,287	-		14,979
LX Holdings Co., Ltd. and others		-	-		-
Total	₩	56,570	₩ -	₩	98,992
		December 31, 2021			
		Accounts receivable and others	Loans	Accounts payable and others	
<b>Subsidiaries:</b>					
LG CNS Co., Ltd.	₩	1,620	₩ -	₩	5,353
D&O Corp. (*1)		3,432	-		73
S&I Crop.(formerly S&I Atxpert Co., Ltd.)		46			4,157
LG Management Development Institute		117	-		2,239
LG Sports Ltd.		6	-		14,960
LG Holdings Japan Co., Ltd.		59	-		-
<b>Associates and subsidiaries:</b>					
LG Electronics Inc. (*2)		25,719	-		25,492
LG Chem Ltd. (*2)		23,609	-		9,983
LG Household & Health Care Ltd. (*2)		570	-		5,494
LG Uplus Corp (*2)		352	-		8,341
GIIR Corporation (*2)		-	-		18,705
LG Hitachi Co., Ltd.		-	-		13
<b>Other related parties' affiliates by the Act: (*3)</b>					
LG Display Co., Ltd.		11,193	-		6,754
LX Holdings Co., Ltd. and others		89	-		12,565
Total	₩	66,812	₩ -	₩	114,129

(\*1) It includes transactions with a subsidiary's associates.

(\*2) It includes transactions with an associates' subsidiary.

(\*3) 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.

(4) There is no fund transaction with related parties for the years ended December 31, 2022 and 2021.

(5) Details of debt Guarantee provided to the related parties for the year ended December 31, 2022, are as follow  
(Unit: JPY and Korean won in millions):

Company provided	Debt guarantee amount		Details of debt guarantee(*1)	Details of usage		
	JPY	KRW(*2)		Credit amount	Credit financial institution	Credit occurrence date
LG holdings Japan Co., Ltd.	800,000,000	7,625	Debt limit guarantee	JPY 500,000,000	Shinhan Bank Japan	2022-03-30

(\*1) The principal and interest are guaranteed, as well as the interest paid every quarter in addition to the principal of the debt guarantee.

(\*2) This is the amount obtained by converting the foreign currency debt guarantee amount at the exchange rate at the end of the current period.

(6) The compensation and benefits for the Company's key management (registered executives, including non-permanent and non-registered executives) who has significant control and responsibility on planning, operating and controlling the activities of the Company 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	
	₩		₩	
Short-term employee benefits		25,383		31,528
Severance benefits		3,066		3,045
Total	₩	28,449	₩	34,573

### 23. FUNDING ARRANGEMENTS AND PLEDGING:

(1) The Company has bank overdraft agreement limited to ₩5,000 million with Woori Bank, and general loan agreement limited to ₩95,000 million with Kookmin Bank and two others.

(2) Restricted financial assets as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Account	December 31, 2022	December 31, 2021	Details
Non-current deposits	₩ 5	₩ 5	Deposit for the checking accounts
Non-current financial institution deposits	336,898	-	Treasury Stock
Total	₩ 336,903	₩ 5	Acquisition Trust

(3) There is no pledging as of December 31, 2022.

(4) Other agreements

1) The Company enters into an agreement to propose an investment recovery plan for the shortfall if it fails to meet the investor's certain return rate when selling to Crystal Korea Limited (investor) for a portion of LG CNS (35% of issued shares).

2) As of December 31, 2022, the Company has committed to invest ₩23,000 million and USD 133 million for the acquisition of other financial assets. As of December 31, 2022, the amount invested by the Company out of the contract amount is ₩14,015 million and USD 20 million.

### 24. LEASE:

(1) The Company as lessee

1) The Company has operating lease contracts for vehicles and office supplies. The average lease term is three years.

2) The carrying amount of the right-of-use assets as of December 31, 2022 and 2021, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022		Year ended December 31, 2021	
	Vehicles		Vehicles	
Acquisition	₩	1,954	₩	1,984
Depreciation		(959)		(979)
Carrying amount	₩	995	₩	1,005

3) Changes in the carrying amount of the right-of-use assets for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2022		December 31, 2021	
	Vehicles		Vehicles	
Beginning balance	₩	1,005	₩	1,109
Acquisition		802		1,019
Depreciation		(656)		(695)
Revocation of contract, etc.		(156)		(428)
Ending balance	₩	995	₩	1,005

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

Description	December 31, 2022	December 31, 2021
Depreciation of right-to-use assets	₩ 656	₩ 695
Interest expense of lease liabilities	27	19
Expenses related to short-term leases	86	77
Expenses related to leases of low-value assets	17	19
Expenses related to revocation of contract, etc.	5	3

(\*) It includes amounts classified as discontinued operating income and expenses in the prior year's separate statements of income.

As of the end of the current year, the lease agreement amount of the short-term lease is ₩15 million, and cash outflows from leases during the current year amounted to ₩789 million.

5) 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	₩ 531	₩ 616
Non-current liabilities	475	396
Total	₩ 1,006	₩ 1,012

6) The details of the lease liabilities maturity analysis as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2022	
	Minimum lease payments	Present value of minimum lease payments
Within one year	₩ 556	₩ 531
One year–five years	489	475
Total	₩ 1,045	₩ 1,006

  

Description	December 31, 2021	
	Minimum lease payments	Present value of minimum lease payments
Within one year	₩ 629	₩ 616
One year–five years	402	396
Total	₩ 1,031	₩ 1,012

(2) The Company as lessor

- 1) The Company has real estate lease contracts, and the major operating lease contracts as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Contract	December 31, 2022				Total
	Less than one year	1 year–5 years	More than 5 years		
Building lease contract (Twin)	₩ 71,520	₩ -	₩ -	₩	71,520
Building lease contract (Gasan)	19,534	69,882	19,446		108,862
Building lease contract (Gwanghwamun)	23,657	-	-		23,657
Building lease contract (Seoul station)	18,991	1,808	-		20,799
Total	₩ 133,702	₩ 71,690	₩ 19,446	₩	224,838

  

Contract	December 31, 2021				Total
	Less than one year	1 year–5 years	More than 5 years		
Building lease contract (Twin)	₩ 71,904	₩ -	₩ -	₩	71,904
Building lease contract (Gasan)	19,447	71,128	36,155		126,730
Building lease contract (Gwanghwamun)	23,270	-	-		23,270
Building lease contract (Seoul station)	18,337	-	-		18,337
Total	₩ 132,958	₩ 71,128	₩ 36,155	₩	240,241

- 2) The Company recognized rental revenue related to operating lease contracts for the years ended December 31, 2022 and 2021, in the amount of ₩135,285 million and ₩130,686 million, respectively.

**25. PENDING LITIGATIONS:**

Pending litigations as of December 31, 2022, are one case where the Company sued and three cases where the Company is sued (including trademark infringement and damages-related litigation).

**26. RISK MANAGEMENT:**

(1) Capital risk management

The Company performs capital 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 such optimum structure, the Company may adjust dividend payments, redeem paid-up capital to shareholders, issue stocks to reduce liability or sell assets.

The Company's capital structure consists of net liability, which is borrowings, less cash and cash equivalents and equity. Meanwhile, items managed as capital by the Company as of December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	December 31, 2022	December 31, 2021
Total borrowings	₩ -	₩ -
Less: cash and cash equivalents	191,771	210,756
Borrowings, net	(191,771)	(210,756)
Total equity	9,540,414	9,410,256
Debt ratio (*)	-	-

(\*) The Company does not calculate equity to net borrowings ratio because borrowings, net, is a negative number.

## (2) Financial risk management

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

### 1) Price risk

The Company is exposed to price risks from equity instruments. As of December 31, 2022, fair value of equity instruments is ₩38,925 million, and when all the other variables are constant and when the price of equity instrument changes by 10%, the effect after tax to equity will be ₩2,989 million.

### 2) Credit risk

Credit risk refers to risk of financial losses to the Company when the counterpart defaults on the obligations of the contract. Credit risk arises from cash and cash equivalents, derivatives and bank and financial institution deposits, as well as credit risks of customers, including receivables and firm commitments. As for banks and financial institutions, the Company makes transactions with reputable financial institutions; therefore, the credit risk from them is limited. For ordinary transactions, customers' financial status, credit history and other factors are considered to evaluate their credit status. The Company does not have policies to manage credit limits of each customer.

As of December 31, 2022, the maximum exposure of credit risk from loans and receivables is similar to their carrying amount, and the maximum amount of exposure to credit risk due to debt guarantees explained in Note 22.(5) is ₩7,625 million, which is the limit of debt guarantee, and ₩19 million of interest expected to be paid in the future.

### 3) Liquidity risk

The Company establishes short-term and long-term fund management plans. The Company analyzes and reviews actual cash outflows and its budget to correspond the maturity of financial liabilities to that of financial assets. Management of the Company 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 its remaining maturity as of December 31, 2022, is as follows (Unit: Korean won in millions):

Description	Within a year	1 year–5 years	More than 5 years	Total
Non-interest financial instrument	₩ 112,877	₩ 4,944	₩ 11,655	₩ 129,476
Financial guarantee(*)	7,644	-	-	7,644
Lease liabilities	556	489	-	1,045

(\*) The limit of debt guarantee (JPY 800,000,000) provided to financial institutions for the credit of overseas subsidiaries described in Note 22.(5) and the interest expected to be paid in the future are the maximum amount that the Company will pay under contract if the warrantee claims the whole guaranteed amount. Based on the forecast as of the end of the reporting period, the Company 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 Company under the guarantee contract due to the possibility of credit loss in the financial bond held by the warrantee.

Maturity analysis above is based on the book value and the earliest maturity date by which the payments should be made.

The Company manages liquidity through cash inflows from financial assets and financing arrangements with financial institutions. The maturity instruments of financial assets as of December 31, 2022, are as follows. (Unit: Korean won in millions):

Description	December 31, 2022			
	Within a year	1 year–5 years	More than 5 years	Total
Financial institution deposits	₩ 1,400,000	₩ 336,898	₩ -	₩ 1,736,898
Other receivables	76,770	1,600	5	78,375
Investment in equity and debt	-	-	221,856	221,856
Derivative assets(*)	-	9,878	-	9,878

(\*) With respect to the arrangements described in Note 23.(4) 1), the Company enters into an arrangement that requires an investment recovery plan for a shortfall if it falls short of the investor's certain returns. At the end of the current year, the Company recognized the fair value of ₩9,900 million for the option as financial assets measured at FVTPL and will be remeasured at fair value each year.

#### 4) Foreign currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange-rate fluctuations arise. The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are as follows (Unit: Korean won in millions):

Currency	Assets		Liabilities	
JPY	₩	18	₩	-

The Company regularly measures currency risk deprived from fluctuations of exchange rate.

Details of the Company's sensitivity to a 10% increase and decrease in Korean won against the relevant foreign currencies are as follows (Unit: Korean won in millions):

Currency	10% increase		10% decrease	
JPY	₩	1	₩	(1)

#### (3) Estimation of fair value

The fair values of financial instruments traded in active markets are determined with reference to quoted market prices. The Company 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 Company 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.

Financial assets measured at amortized cost are approximated as their carrying value, less impairment loss. The Company 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 subsequent to initial recognition at fair value are classified 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).

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
Financial assets measured at FVTPL				
Derivative assets	₩ -	₩ -	₩ 9,878	₩ 9,878
Equity investment	-	-	39,589	39,589
Total	₩ -	₩ -	₩ 49,467	₩ 49,467
Financial assets measured at FVTOCI				
Marketable equity securities	₩ 38,925	₩ -	₩ -	₩ 38,925
Unmarketable equity securities	-	-	143,342	143,342
Total	₩ 38,925	₩ -	₩ 143,342	₩ 182,267
Financial liabilities measured at FVTPL				
Derivative liabilities	₩ -	₩ -	₩ -	₩ -
Total	₩ -	₩ -	₩ -	₩ -
Description	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTPL				
Derivative assets	₩ -	₩ -	₩ -	₩ -
Equity investment	-	-	8,664	8,664
Total	₩ -	₩ -	₩ 8,664	₩ 8,664
Financial assets measured at FVTOCI				
Marketable equity securities	₩ 38,511	₩ -	₩ -	₩ 38,511
Unmarketable equity securities	-	-	142,134	142,134
Total	₩ 38,511	₩ -	₩ 142,134	₩ 180,645
Financial liabilities measured at FVTPL				
Derivative liabilities	₩ -	₩ -	₩ 38,982	₩ 38,982
Total	₩ -	₩ -	₩ 38,982	₩ 38,982

There were no significant transfers between Levels 1 and 2 as of December 31, 2022 and 2021.

2) The fair value hierarchy of financial instruments with fair value cannot be reliably measured at fair value in the statements of financial position as of December 31, 2022 and 2021, as follows (Unit: Korean won in millions):

December 31, 2022										
Description	Fair value								Book value	
	Level 1		Level 2		Level 3		Total			
Financial assets measured at amortized cost:										
Financial institution deposits	₩	-	₩	-	₩	1,736,898	₩	1,736,898	₩	1,736,898
Other accounts receivable (*)		-		-		57,779		57,779		57,779
Accrued income (*)		-		-		18,991		18,991		18,991
Deposits (*)		-		-		1,605		1,605		1,605
Total	₩	-	₩	-	₩	1,815,273	₩	1,815,273	₩	1,815,273
Financial liabilities measured at amortized cost:										
Other accounts payable (*)	₩	-	₩	-	₩	39,202	₩	39,202	₩	39,202
Accrued expenses(*)		-		-		1,841		1,841		1,841
Accrued dividends (*)		-		-		423		423		423
Deposits received		-		84,405		-		84,405		84,405
Lease liabilities		-		-		1,006		1,006		1,006
Total	₩	-	₩	84,405	₩	42,472	₩	126,877	₩	126,877

December 31, 2021										
Description	Fair value								Book value	
	Level 1		Level 2		Level 3		Total			
Financial assets measured at amortized cost:										
Financial institution deposits	₩	-	₩	-	₩	1,550,000	₩	1,550,000	₩	1,550,000
Other accounts receivable (*)		-		-		64,568		64,568		64,568
Accrued income (*)		-		-		5,258		5,258		5,258
Deposits (*)		-		-		505		505		505
Total	₩	-	₩	-	₩	1,620,331	₩	1,620,331	₩	1,620,331
Financial liabilities measured at amortized cost:										
Other accounts payable (*)	₩	-	₩	-	₩	42,072	₩	42,072	₩	42,072
Accrued expenses(*)		-		-		-		-		-
Accrued dividends (*)		-		-		400		400		400
Deposits received		-		85,162		-		85,162		85,162
Lease liabilities		-		-		1,012		1,012		1,012
Total	₩	-	₩	85,162	₩	43,484	₩	128,646	₩	128,646

(\*) Short-term receivables and short-term payment obligations denominated in Level 3 are measured at original amount since the discount effect is not significant.

3) Changes in Level 3 financial assets 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	Net income (loss)	Comprehensive income	Purchases	Disposals	Ending balance	Ending unrealized gain
Other financial assets	₩ 150,798	₩ (1,231)	₩ 11,825	₩ 32,156	₩ (10,617)	₩ 182,931	₩ 29,590
Derivative assets	-	9,878	-	-	-	9,878	-
Derivative liabilities	38,982	(38,982)	-	-	-	-	-

Description	Year ended December 31, 2021						Ending balance	Ending unrealized gain
	Beginning balance	Net income (loss)	Comprehensive income	Purchases	Disposals			
Other financial assets	₩ 53,344	₩ -	₩ (10,760)	₩ 108,214	₩ -	₩ 150,798	₩ 5,517	
Derivative liabilities	39,196	(214)	-	-	-	38,982	-	

4) 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:

-Non-listed shares

The fair value of non-listed shares measured using a discounted cash flow model that is not based on observable market prices or rates will be used to estimate the future cash flows, such as sales growth, pretax operating profit margin and the weighted-average cost of capital. Capital Asset Pricing Model (“CAPM”) was used to calculate the weighted-average cost of capital. The key assumptions of estimation listed above are determined to have a significant impact on the fair value of non-listed shares, and the Company has classified the fair value hierarchy system on Level 3 of the fair value measurement of non-listed shares.

5) There is no change in the valuation technique used in the fair value measurement of financial instruments classified as Levels 2 and 3 during current period.

6) Relationship between unobservable inputs to fair value and information on fair value hierarchy Level 3 applying significant unobservable inputs is as follows (Unit: Korean won in millions):

Description	Fair value	Valuation technique	Unobservable input(s)	Range (%)	Relationship of unobservable inputs to fair value
Financial assets					
Other financial assets	₩ 43,198	Discounted cash flow method	Growth rate	0%	Increase (decrease) in the growth rate used would result in increase (decrease) of fair value
			Discount rate	15.12%	Increase (decrease) in the discount rate used would result in decrease (increase) of fair value

7) A description of the valuation processes in the fair value measurement for Level 3 that the Company is carrying out is as follows:

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

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

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

8) Impact on net income and other comprehensive income due to changes in fair value measured at Level 3 financial instruments associated with significant unobservable inputs is as follows (Unit: Korean won in millions):

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

Meanwhile, the Company has judged that unobservable changes of inputs to reflect alternative assumptions would not change fair value measurement significantly.

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

## 27. NOTES TO THE CASH FLOW STATEMENT:

(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):

Description	Year ended December 31, 2022		Year ended December 31, 2021	
Decrease due to spin-off	₩	-	₩	737,155

(2) Details of changes in liabilities arising from financing activities for the years ended December 31, 2022 and 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2022			
	Beginning	Cash flow	Others	Ending
Lease liabilities	₩ 1,012	₩ (686)	₩ 680	₩ 1,006

Description	Year ended December 31, 2021			
	Beginning	Cash flow	Others	Ending
Lease liabilities	₩ 1,122	₩ (703)	₩ 593	₩ 1,012

**28. DISCONTINUED OPERATIONS:**

During the prior year, the spin-off was carried out according to the Company's spin-off plan, and as a result, it was presented as a discontinued operation in the prior financial statements.

Major income and expenses classified as discontinued operations for the year ended December 31, 2021, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021
Operating income	₩ 41,505
Operating expenses	6,242
Net operating income	35,263
Non-operating income and expenses:	527
Discontinued operating income and expenses before income tax expense	35,790
Income tax expense	706
Income and expenses from discontinued operations	35,084
Gain on sale of discontinued operating	731,132
Discontinued operating profit and loss	766,216

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

English Translation of Independent Auditors' Report on Internal Control over Financial Reporting Originally Issued in Korean on March 21, 2023.

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

### Audit Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of LG Corp. (the "Company") as of December 31, 2022, based on 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.' In our opinion, the Company's internal control over financial reporting is designed and operated effectively as of December 31, 2022, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.'

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2022, and the separate statement of income, separate statement of comprehensive income, separate statement of changes in shareholders' equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies, and our report dated March 21, 2023, expressed unqualified opinion.

### Basis for Audit Opinion

We conducted our audit in accordance with the KSAs. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting 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 opinion.

### Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting

Management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Report on the Operations of the Internal Accounting Control System*.

Those Charged with Governance is responsible for the oversight of internal control over financial reporting of the Company.

### Auditors' Responsibilities for the Audits of the Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with the KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

The audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. The audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risks.

**Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with K-IFRS. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

A handwritten signature in black ink that reads "Deloitte IDNjin LLC". The signature is written in a cursive, stylized font.

March 21, 2023

**Notice to Readers**

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

## **Report on the Operations of the Internal Accounting Control System**

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

I, as the Internal Accounting Control Officer (“IACO”) of LG Corp. (the “Company”), assessed the status of the design and operations of the Company’s Internal Accounting Control System (“IACS”) for the year ended December 31, 2022.

The Company’s management, including IACO, is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud, which may cause any misstatement of the separate financial statements for the purpose of establishing the reliability of financial reporting and the preparation of separate financial statements for external purposes.

I, as the IACO, applied the frame of reference ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting,’ which is announced by IACS committee for the designing and operating of the IACS. Also, I, as the IACO, applied the Conceptual Framework for assessment and designing Internal Control over Financial Reporting,’ which is announced by IACS committee for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2022, in all material respects, in accordance with the IACS standards.

We certify that report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

February 7, 2023

Bong-Seok Kwon  
President and Chief Operating Officer

Beom-Jong Ha  
Internal Accounting Control Officer

## 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 KICPA (Registered)		Members of KICPA (Non-Registered)							
Number of Participant(s)		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, 2023.03.09				

#### 4. 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