

KoMiCo Ltd.
Separate Financial Statements
December 31, 2023 and 2022

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
KoMiCo Ltd.

Opinion

We have audited the accompanying separate financial statements of KoMiCo Ltd. (the "Company"), which comprise the separate statements of financial position as at December 31, 2023 and 2022, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2023 and 2022, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as at December 31, 2023, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 13, 2024, expressed an unqualified opinion.

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the separate financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical 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

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.

(a) Occurrence of revenue recognition

Reason why the matter was determined to be a Key Audit Matter

As set out in Note 2 to the separate financial statements, the Company identifies performance obligations from contract with a customer that are distinct and recognizes revenue when the obligations are satisfied. We identified this area as a key audit matter because the revenue comprises a material portion of the Company's financial statements and, identifying performance obligations and determining when the obligation is satisfied involve significant judgement of management.

How our audit addressed the Key Audit Matter

The audit procedures we performed in relation to the occurrence of revenue recognition are as follows:

- We obtained an understanding and assessed the revenue recognition process and the Company's accounting policies and related controls.
- We assessed the existence of the contract and the appropriateness of the identification of performance obligations from contract through review on contract or PO.
- We assessed the appropriateness of occurrence, timing, and amount of revenue recognition through examining procedure for transaction evidence identified through the revenue recognition process.

(b) Fair value assessment of exchangeable bonds

Reason why the matter was determined to be a Key Audit Matter

As set out in Note 7 to the separate financial statements, exchangeable bonds, among the financial instruments of the Company, are measured based on unobservable inputs and classified as fair value hierarchy Level 3. Financial instruments classified as Level 3 uses various valuation techniques and variables. We identified this area as a key audit matter because the results of measurement may significantly change depending on the management's determination on the valuation techniques and unobservable inputs.

How our audit addressed the Key Audit Matter

The audit procedures we performed in relation to the fair value assessment of exchangeable bonds are as follows:

- We obtained an understanding of and evaluated the internal control related to fair value measurement process of the Company's management
- We verified qualification and independence of experts engaged by management of the Company
- We evaluated the appropriateness of the valuation method and the reasonableness of input variable assumptions considering the contract conditions
- We verified whether there is a significant difference between the auditor's independent estimate and the management's estimate of the major input variables used in the fair value assessment

for the extracted sample

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines 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 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.

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

Auditor's Responsibilities for the Audit 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 Korean Standards on Auditing 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 Korean Standards on Auditing, 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 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 the 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 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 communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Chang-Hoon Lee, Certified Public Accountant.

Seoul, Korea
March 13, 2024

This report is effective as of March 13, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

KoMiCo Ltd.
Separate Statements of Financial Position
December 31, 2023 and 2022

<i>(in Korean won)</i>	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	4,7,8	₩ 27,803,348,669	₩ 17,845,007,410
Short-term financial instruments	5,7,8	12,868,200,000	29,000,000,000
Trade receivables	7,8,9,37	7,577,514,740	10,293,056,348
Other receivables	7,8,9,37	2,961,173,014	2,323,430,758
Inventories	12	1,759,370,839	1,923,663,956
Other current financial assets	7,8,10	-	1,330,000,000
Other current assets	11	550,649,479	501,986,673
		<u>53,520,256,741</u>	<u>63,217,145,145</u>
Non-current assets			
Investments in subsidiaries	13	207,422,392,427	144,626,274,855
Other non-current receivables	7,8,9,37	1,357,981,636	897,229,000
Property, plant and equipment	14	74,359,706,153	89,115,744,131
Investment properties	16	5,777,070,568	5,959,198,084
Intangible assets	17	3,732,530,965	3,538,791,934
Other non-current financial assets	7,8,10	23,485,909,207	19,472,620,934
Other non-current assets	11	1,460,157,538	2,138,325,735
		<u>317,595,748,494</u>	<u>265,748,184,673</u>
Total assets		<u>₩ 371,116,005,235</u>	<u>₩ 328,965,329,818</u>
Liabilities			
Current liabilities			
Trade payables	7,8,19,37	₩ 2,559,319,422	₩ 3,577,740,803
Short-term borrowings	7,8,22	32,600,000,000	22,600,000,000
Other payables	7,8,19,37	4,990,778,867	6,632,640,630
Other current financial liabilities	7,8,20	11,981,383,218	8,307,654,677
Current portion of long-term borrowings	7,8,22	1,250,000,000	-
Current tax liabilities	33	1,068,029,387	2,766,326,847
Current lease liabilities	6,7,8,15	309,314,344	333,601,221
Other current liabilities	21	3,192,475,770	6,183,959,506
		<u>57,951,301,008</u>	<u>50,401,923,684</u>
Non-current liabilities			
Long-term borrowings	7,8,22	68,750,000,000	-
Post-employment benefit liabilities	23	11,109,425,621	9,921,613,201
Other non-current financial liabilities	7,8,20	1,460,157,538	1,727,116,716
Other non-current liabilities	21	1,472,148,945	1,522,018,654
Non-current lease liabilities	6,7,8,15	313,886,898	293,835,011
Deferred tax liabilities	33	5,415,134,453	6,412,964,167
		<u>88,520,753,455</u>	<u>19,877,547,749</u>
Total liabilities		<u>146,472,054,463</u>	<u>70,279,471,433</u>
Equity			
Issued capital	1,25	5,230,342,000	5,010,223,500
Reserves	25	14,402,241,533	73,597,635,337
Elements of other stockholders equity	27	(2,914,979,317)	(2,914,979,317)
Accumulated other comprehensive income	26	8,867,561,298	7,188,694,618
Retained earnings	28	199,058,785,258	175,804,284,247
Total equity		<u>224,643,950,772</u>	<u>258,685,858,385</u>
Total liabilities and equity		<u>₩ 371,116,005,235</u>	<u>₩ 328,965,329,818</u>

The above separate statements of financial position should be read in conjunction with the accompanying notes.

KoMiCo Ltd.
Separate Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

<i>(in Korean won)</i>	Notes	2023	2022
Revenue	37,38		
Finished goods		₩ 122,692,202,303	₩ 139,678,610,632
Merchandises		4,125,976,028	7,155,311,885
		<u>126,818,178,331</u>	<u>146,833,922,517</u>
Cost of sales	12,29,37		
Finished goods		72,219,165,777	77,834,895,571
Merchandises		3,077,807,359	5,427,081,885
		<u>75,296,973,136</u>	<u>83,261,977,456</u>
Gross profit		51,521,205,195	63,571,945,061
Selling and administrative expenses	29,30,37	40,240,594,721	42,371,303,871
Bad debt expenses (reversal)	29,30	(53,966,000)	(73,266,600)
Operating income		11,334,576,474	21,273,907,790
Other income	31	6,080,894,192	6,408,764,534
Other expenses	31	432,604,795	309,426,274
Finance income	32	8,834,681,859	2,305,089,554
Finance costs	32	5,741,420,136	1,586,363,047
Profits (losses) of associates and joint ventures	13	14,271,135,736	19,155,554,712
Profit before income tax		34,347,263,330	47,247,527,269
Income tax expense	33	798,050,494	5,280,746,921
Profit		<u>₩ 33,549,212,836</u>	<u>₩ 41,966,780,348</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit liability		453,875,175	689,275,053
Loss on valuation of financial assets at fair value through other comprehensive income		(287,791,758)	(1,343,772,543)
<i>Items that may be subsequently reclassified to profit or loss</i>			
Share of other comprehensive income of associates	13	1,493,726,976	1,830,645,565
Other comprehensive income, net of tax		<u>1,659,810,393</u>	<u>1,176,148,075</u>
Total comprehensive income		<u>₩ 35,209,023,229</u>	<u>₩ 43,142,928,423</u>
Earnings per share	34		
Basic earnings per share		₩ 3,294	₩ 4,213
Diluted earnings per share		3,294	4,213

The above separate statements of comprehensive income should be read in conjunction with the accompanying notes.

KoMiCo Ltd.
Separate Statements of Changes in Equity
Years Ended December 31, 2023 and 2022

(in Korean won)

	Notes	Share capital	Reserves	Other Capital adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at January 1, 2022		₩ 5,010,223,500	₩ 73,597,635,337	₩ (911,210,365)	₩ 6,701,821,596	₩ 138,638,890,946	₩ 223,037,361,014
Total comprehensive income							
Profit		-	-	-	-	41,966,780,348	41,966,780,348
Other comprehensive income							
Remeasurements of net defined benefit liability	23	-	-	-	-	689,275,053	689,275,053
Loss on valuation of financial assets at fair value through other comprehensive income		-	-	-	(1,343,772,543)	-	(1,343,772,543)
Share of other comprehensive income of associates	13	-	-	-	1,830,645,565	-	1,830,645,565
Total other comprehensive income		-	-	-	486,873,022	689,275,053	1,176,148,075
Total comprehensive income		-	-	-	486,873,022	42,656,055,401	43,142,928,423
Transactions with owners							
Annual dividends paid		-	-	-	-	(5,490,662,100)	(5,490,662,100)
Transactions of treasury shares		-	-	(2,003,768,952)	-	-	(2,003,768,952)
Total transactions with owners		-	-	(2,003,768,952)	-	(5,490,662,100)	(7,494,431,052)
Balance at December 31, 2022		₩ 5,010,223,500	₩ 73,597,635,337	₩ (2,914,979,317)	₩ 7,188,694,618	₩ 175,804,284,247	₩ 258,685,858,385
Balance at January 1, 2023		₩ 5,010,223,500	₩ 73,597,635,337	₩ (2,914,979,317)	₩ 7,188,694,618	₩ 175,804,284,247	₩ 258,685,858,385
Total comprehensive income							
Profit		-	-	-	-	33,549,212,836	33,549,212,836
Other comprehensive income							
Remeasurements of net defined benefit liability	23	-	-	-	-	453,875,175	453,875,175
Loss on valuation of financial assets at fair value through other comprehensive income		-	-	-	(287,791,758)	-	(287,791,758)
Transfer of gains (losses) on disposal of equity investments at fair value through other comprehensive income to retained earnings		-	-	-	472,931,462	(472,931,462)	-
Share of other comprehensive income of associates	13	-	-	-	1,493,726,976	-	1,493,726,976
Total other comprehensive income		-	-	-	1,678,866,680	(19,056,287)	1,659,810,393
Total comprehensive income		-	-	-	1,678,866,680	33,530,156,549	35,209,023,229
Transactions with owners							
Capital increase		220,118,500	19,758,479,550	-	-	-	19,978,598,050
Annual dividends paid		-	-	-	-	(9,940,569,000)	(9,940,569,000)
Payments for investments in subsidiaries under a common control		-	(78,953,873,354)	-	-	-	(78,953,873,354)
Changes in retained earnings from equity method		-	-	-	-	(335,086,538)	(335,086,538)
Total transactions with owners		220,118,500	(59,195,393,804)	-	-	(10,275,655,538)	(69,250,930,842)
Balance at December 31, 2023		₩ 5,230,342,000	₩ 14,402,241,533	₩ (2,914,979,317)	₩ 8,867,561,298	₩ 199,058,785,258	₩ 224,643,950,772

The above separate statements of changes in equity should be read in conjunction with the accompanying notes.

KoMiCo Ltd.
Separate Statements of Cash Flows
Years Ended December 31, 2023 and 2022

<i>(in Korean won)</i>	Note	2023	2022
Cash flows from (used in) operating activities			
Cash generated from operations	35	₩ 30,264,445,364	₩ 45,026,227,513
Interest received		2,157,608,027	733,497,971
Interest paid		(3,342,563,091)	(799,786,883)
Income taxes returns (paid)		(3,611,646,003)	956,410,164
Dividends received		7,456,429,708	2,068,205,596
Net cash inflow from operating activities		32,924,274,005	47,984,554,361
Cash flows from (used in) investing activities			
Proceeds from disposal of short-term financial instruments		39,000,000,000	33,000,000,000
Decrease in loans		283,990,800	239,246,500
Proceeds from disposal of property, plant and equipment		892,236,272	45,486,946
Proceeds from disposal of intangible assets		281,818,182	200,000,000
Decrease in leasehold deposits provided		189,400,000	180,000,000
Receipt of government grants		1,151,455,273	58,963,790
Proceeds from disposal of financial assets at fair value through other comprehensive income		1,197,000,000	-
Payments for short-term financial instruments		(22,911,700,000)	(46,000,000,000)
Increase in loans		(845,000,000)	(695,000,000)
Payments for property, plant and equipment		(10,401,917,804)	(12,810,658,979)
Payments for intangible assets		(432,518,294)	-
Increase in leasehold deposits provided		(282,497,886)	(239,458,000)
Payments for exchangeable bonds		-	(15,000,000,000)
Payments for investments in subsidiaries		(120,882,159,405)	-
Net cash outflow from investing activities		(112,759,892,862)	(41,021,419,743)
Cash flows from (used in) financing activities			
Proceeds from short-term borrowings		35,000,000,000	26,600,000,000
Proceeds from long-term borrowings		70,000,000,000	-
Increase in leasehold deposits received		165,870,000	396,925,000
Capital increase		19,978,598,050	-
Repayments of short-term borrowings		(25,000,000,000)	(16,600,000,000)
Repayments of long-term borrowings		-	(19,000,000,000)
Dividends paid		(9,940,569,000)	(5,490,662,100)
Decrease in leasehold deposits received		(86,635,000)	(965,000,000)
Repayments of lease liabilities		(457,582,955)	(394,448,202)
Acquisition of treasury shares		-	(2,003,768,952)
Net cash inflow (outflow) from financing activities		89,659,681,095	(17,456,954,254)
Net increase (decrease) in cash and cash equivalents		9,824,062,238	(10,493,819,636)
Cash and cash equivalents at the beginning of the financial year		17,845,007,410	28,891,393,030
Effects of exchange rate changes on cash and cash equivalents denominated in foreign currencies		134,279,021	(552,565,984)
Cash and cash equivalents at the end of the year		₩ 27,803,348,669	₩ 17,845,007,410

The above separate statements of cash flows should be read in conjunction with the accompanying notes.

KoMiCo Ltd.

Notes to the Separate Financial Statements

December 31, 2023 and 2022

1. General Information

On August 13, 2013, KoMiCo (the Company) was established through split-off from MiCo Ltd., and the Company mainly engages in cleaning and coating of semiconductor equipment components and LCD related precision parts.

On March 23, 2017, the Company listed its ordinary shares on the Korea Securities Dealers Automated Quotations ("KOSDAQ") market, and its headquarters is located in Mosan-ro, Anseong-si, Gyeonggi-do.

After several capital increases, the issued capital of the Company as at December 31, 2023, amounted to ₩ 5,230 million, which was ₩ 3,500 million upon establishment. MiCo Ltd., the Parent Company, holds 41.10% of the Company's issued shares.

The Company's major shareholders are as follows:

	2023		2022	
	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)
MiCo Ltd.	4,299,326	41.10	3,859,089	38.51
Treasury shares	79,878	0.76	79,878	0.80
Others	6,081,480	58.14	6,081,480	60.69
	<u>10,460,684</u>	<u>100.00</u>	<u>10,020,447</u>	<u>100.00</u>

On July 1, 2023, as a deemed acquisition date, the Company has obtained controls over MiCoCeramics Ltd. by acquiring 2,605,639 ordinary shares (percentage of ownership: 47.84%) of MiCoCeramics Ltd. held by MiCo Ltd., the Parent Company. As a business combination of entities under common control, the carrying amount of investments in the subsidiaries from this transaction is recognized as carrying amount in the consolidated financial statements of the ultimate parent company. Also, the difference between the consideration paid and the carrying amount of the investments in the subsidiaries was recognized as other reserves.

2. Material Accounting Policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangeul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying separate financial statements have been condensed, restructured and translated into English from the

KoMiCo Ltd.
Notes to the Separate Financial Statements
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Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

The separate financial statements of the Company have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), and
- defined benefit pension plans – plan assets measured at fair value

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2023.

(a) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policy information. The amendments do not have a significant impact on the financial statements.

(b) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments do not have a significant impact on the financial statements.

(c) Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments do not have a significant impact on the financial statements.

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(d) Korean IFRS 1012 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments do not have a significant impact on the financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contracts

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This standard does not have a significant impact on the financial statements.

(f) Korean IFRS 1012 Income Taxes – International Tax Reform – Pillar Two Model Rules

The amendments provide a temporary relief from the accounting for deferred taxes arising from legislation enacted to implement the Pillar Two model rules, which aim to reform international corporate taxation for multinational enterprises, and require disclosure of related current tax effects, etc. The amendments do not have a significant impact on the financial statements.

2.2.2 New standards and interpretations not yet adopted by the Company

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Company.

(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or

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non-current at the reporting date. When an entity classifies a liability that is subject to the covenants which an entity is required to comply with within twelve months of the reporting date as non-current at the end of the reporting period, the entity shall disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months after the reporting period. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(b) Amendments to Korean IFRS 1007 Statement of Cash Flows, Korean IFRS 1107 Financial Instruments: Disclosures – Supplier finance arrangements

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(c) Amendments to Korean IFRS 1116 Leases – Lease Liability in a Sale and Leaseback

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(d) Amendments to Korean IFRS 1001 Presentation of Financial Statements – Disclosure of Cryptographic Assets

The amendments require an additional disclosure if an entity holds cryptographic assets, or holds cryptographic assets on behalf of the customer, or issues cryptographic assets. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The amendments do not have a significant impact on the financial statements.

(e) Amendments to Korean IFRS 1021 The Effects of Changes in Foreign Exchange Rates and 1101 First-time Adoption of International Financial Reporting Standards – Lack of Exchangeability

When an entity estimates a spot exchange rate because exchangeability between two currencies is lacking, the entity shall disclose related information. The amendments should be applied for annual periods beginning on or after January 1, 2025, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

2.3 Foreign Currency Translation

(a) Functional and presentation currency

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Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The separate financial statements are presented in Korean won, which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of hedges of net investments, or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in ‘finance income’ or ‘finance costs’ in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

2.4 Financial Assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost

The classification depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the

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equity investment at fair value through other comprehensive income. Changes in fair value of non-designated equity investment are recognized in profit or loss.

(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'finance income' or 'finance costs' and impairment losses are presented in 'other expenses'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of comprehensive income within 'finance income' or 'finance costs' in the year in which it arises.

B. Equity instruments

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The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income' or 'finance costs' in the statement of comprehensive income as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. (Note 6.2 provides more detail of how the Company determines there has been a significant increase in credit risk.)

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.5 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses.

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2.6 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the gross average method.

2.7 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Useful lives
Buildings	30 years
Structures	15
Machinery	8
Vehicles, Tools and equipment, Supplies, Facilities	5

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.8 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.9 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2.10 Intangible Assets

Intangible assets are initially recognized at its historical cost, and carried at cost less accumulated

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amortization and accumulated impairment losses.

Expenditures incurred from research (or research stage of internal project) are recognized as expenses when they are incurred. Intangible assets incurred from development activities (or development stage of internal project) are recognized only when it is technically feasible to complete the intangible asset so that it will be available for use; management intends to complete the intangible asset and use or sell it; there is the ability to use or sell the intangible asset; it can be demonstrated how the intangible asset will generate probable future economic benefits; adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and the expenditure attributable to the intangible asset during its development can be reliably measured.

Costs of internally generated intangible assets are the aggregate costs recognized after meeting the asset recognition criteria, including any costs directly attributable to preparing the asset for its creation, manufacturing and intended use by management. Internally generated goodwill is not recognized as an asset.

Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Company amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful lives
Software	5 years
Development costs	5 years
Membership rights	Indefinite

2.11 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Company depreciates investment properties, except for land, using the straight-line method over their useful lives of 30 years.

2.12 Impairment of Non-financial Assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.13 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Financial Liabilities

(a) Classification and measurement

The Company's financial liabilities at fair value through profit or loss are embedded derivatives that are separated from compound financial instruments issued by the Company.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'trade and other payables', and 'borrowings' in the statement of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.15 Financial Guarantee Contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of following and recognized in the statement of financial position within 'other financial liabilities'.

- the amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments* and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

2.16 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a

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result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.17 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Company recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Company recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.18 Employee Benefits

(a) Post-employment benefits

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The Company operates both defined contribution and defined benefit plans.

For defined contribution plans, the Company pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Company has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

(b) Share-based payments

Under cash-settled share-based payment plan, the Company compensates the difference of the fair value and exercise price of option as the consideration for employee services received. Total expense that will be recognized over the vesting period is determined by reference to the fair value of the option granted. Until the liability is settled, the Company is required to remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in value recognized in profit or loss for the year.

(c) Other long-term employee benefits

The Company provides long-term employee benefits that are entitled to employees with service period for five years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Company recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by an independent qualified actuary.

2.19 Revenue Recognition

The Company recognizes revenue by applying the following five-step revenue recognition model to all contracts with customers that are included in the scope of Korean IFRS 1115 *Revenue from contracts with customers*.

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A new five-step process must be applied before revenue from contract with customers can be recognized:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognize the revenue as each performance obligation is satisfied.

(a) Identify performance obligation

The Company is engaged in the business of precision cleaning and regeneration of semiconductor and LCD-related precision parts and selling them to customers. The Company identifies separate performance obligation (a) if the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer, and (b) if the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. For each performance obligation, the Company determines the time of revenue recognition whether it satisfies the performance obligation at a point in time or over time.

(b) A performance obligation is satisfied at a point in time

Revenue from sales of goods is recognized when assets are transferred and then performance obligations are fulfilled. The performance obligation satisfied at a point in time is satisfied at the time of transferring control of the goods or services to the customer. The Company considers following indicators of the transfer of control to determine the point in time at which the entity satisfies a performance obligation.

- The entity has a present right to payment for the asset.
- The customer has legal title to the asset.
- The entity has transferred physical possession of the asset
- The customer has the significant risks and rewards of ownership of the asset
- The customer has accepted the asset

(c) Sales-based or usage-based royalties

The Company has entered into a royalty agreement and others with subsidiaries. In accordance with Korean IFRS 1115, the Company recognizes revenue for a sales-based or usage-based royalty promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and

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- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied.

(d) Variable consideration

If the consideration promised in a contract includes a variable amount, the Company shall estimate the amount of consideration to which the Company will be entitled in exchange for transferring the promised goods or services to a customer. An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if the Company's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event. For example, an amount of consideration would be variable if either a product was sold with a right of return or a fixed amount is promised as a performance bonus on achievement of a specified milestone.

(e) Significant financing component

In determining the transaction price, the Company adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer.

As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised goods or services to a customer and when the customer pays for that goods or services will be one year or less.

(f) Allocating the transaction price

The Company allocates the transaction price to various performance obligations identified in one contract based on their relative stand-alone selling prices.

2.20 Leases

(a) Lessor

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

(b) Lessee

The Company leases various properties and vehicles. Lease contracts are typically made for fixed periods of 1 to 2 years, but may have extension options as described in (c) below.

Contracts may contain both lease and non-lease components. The Company allocates the

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consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is lessee, the Company applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Company determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Company should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Each lease payment is allocated between the liability and finance cost. The finance cost is

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charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets mainly comprise office furniture.

(c) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts.

2.21 Investments in Subsidiaries

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027 *Separate Financial Statements*. Investments in subsidiaries are accounted for using equity method. Also, the Company recognizes dividend income from subsidiaries as a deduction from carrying amounts of investments accounted for using equity method when its right to receive the dividend is established.

2.22 Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 38). The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

2.23 Approval of Issuance of the Financial Statements

The separate financial statements 2023 were approved for issue by the Board of Directors on February 28, 2024 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

(a) Income taxes

The Company's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 33).

If certain portion of the taxable income is not used for investments or increase in wages or dividends for a certain period, the Company is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects for such period. As the Company's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 7).

(c) Impairment of financial assets

The provisions for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period (Note 6.2).

(d) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note

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23).

4. Cash and Cash Equivalents

Cash and cash equivalents as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	2023		2022	
Bank deposits and others	₩	27,803,349	₩	17,845,007
	₩	27,803,349	₩	17,845,007

5. Short-term Financial Instruments

Short-term financial instruments as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	2023		2022	
Time deposits and instalments	₩	12,868,200	₩	29,000,000
	₩	12,868,200	₩	29,000,000

6. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the financial performance of the Company.

6.1 Market Risk

(a) Foreign currency risk

The Company operates internationally and is exposed to foreign currency risk, primarily the US dollar. Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currencies that are not the Company entities' functional currencies. Monetary assets and liabilities denominated in foreign currencies other than functional currencies as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023				2022			
	Foreign amount		Korean won equivalent		Foreign amount		Korean won equivalent	
Assets								
Cash and cash equivalents	USD	8,664,268	₩	11,171,707	USD	5,283,542	₩	6,695,833
	JPY	160,830,911		1,467,839	JPY	90,952,474		866,941
Short-term financial instruments	USD	3,000,000		3,868,200	USD	-		-

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Trade receivables	USD	400,106	515,896	USD	1,102,494	1,397,191
	JPY	13,316,380	121,533	JPY	5,929,000	56,514
Other receivables	USD	1,276,508	1,645,930	USD	1,173,386	1,487,033
	CNY	396,820	71,761	CNY	484,881	87,977
			<u>₩ 18,862,866</u>			<u>₩ 10,591,489</u>
Liabilities						
Trade payables	USD	575	₩ 741	USD	78,698	₩ 99,734
Other payables	USD	220,394	284,176	USD	93,152	118,052
			<u>₩ 284,917</u>			<u>₩ 217,786</u>

As at December 31, 2023 and 2022, if the currency, Korean won, had increased/decreased by 10% with all other variables held constant against the foreign currency, the impact on pre-tax profit would be as follows:

(in thousands of Korean won)	2023		2022	
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
USD/Korea won	₩ 1,691,682	₩ (1,691,682)	₩ 936,227	₩ (936,227)
JPY/Korea won	158,937	(158,937)	92,345	(92,345)
CNY/Korea won	7,176	(7,176)	8,798	(8,798)
	<u>₩ 1,857,795</u>	<u>₩ (1,857,795)</u>	<u>₩ 1,037,370</u>	<u>₩ (1,037,370)</u>

The sensitivity analysis shown above is for monetary assets and liabilities denominated in foreign currency other than the Company's functional currency as at December 31, 2023 and 2022.

(b) Interest rate risk

Interest rate risk of the Company is defined as the risk that the interest expenses arising from borrowings will fluctuate due to changes in future market interest rate. The interest rate risk mainly arises through floating rate short-term borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty caused by fluctuations in interest rates and net interest expenses.

The Company adequately minimizes risks from interest rate fluctuations through various policies, such as sharing excess cash within the Company (internal cash sharing) to minimize external borrowings, avoiding high rate borrowings, reforming capital structure, managing an appropriate ratio of fixed rate borrowings and floating rate borrowings, monitoring a fluctuation of domestic and foreign interest rates daily, weekly and monthly, establishing alternatives, and balancing floating rate short-term borrowings with floating rate deposits.

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The exposure of the Company's borrowing to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Amount	Ratio	Amount	Ratio
Borrowings with floating rate	₩ 5,000,000	5%	₩ 15,000,000	66%
Borrowings with fixed rate – maturity dates:				
Less than 1 year	28,850,000	28%	7,600,000	34%
1 to 5 years	68,750,000	67%	-	-
	<u>₩ 102,600,000</u>	<u>100%</u>	<u>₩ 22,600,000</u>	<u>100%</u>

As at December 31, 2023 and 2022, if the interest rate had increased/decreased by 1% with all other variables held constant, the impact of interest expenses related to borrowings with floating rate on pre-tax profit would be as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Interest expenses	₩ (50,000)	₩ 50,000	₩ (150,000)	₩ 150,000

(c) Price risk

The Company has completed the sale of equity securities held by the Company classified as financial assets at fair value through other comprehensive income.

The Company does not hold equity securities exposed to price risk.

6.2 Credit Risk

The Company is exposed to credit risk which arises during the investing activities where other parties fail to discharge an obligation. Credit risk usually arises from outstanding trade and other receivables, debt securities, financial institution deposits and others.

To manage the credit risk, the Company implements and operates policies and procedures for credit enhancements of the financial assets. Also, the Company has been provided collateral and payment guarantees from customer before sales commence and analysis of financial assets past due has been reported, and appropriate measures have been taken to secure the Company's assets.

(a) Risk management

To manage credit risk, the Company establishes and operates policies and procedures for security of financial assets. If corporate customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer,

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taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The compliance with credit limits by corporate customers is regularly monitored by line management. Sales to individual customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

(b) Security

Upon the contracts with new customers, the Company has been provided with collateral or payment guarantees from the customers. For delayed collection of financial assets, current state and collection measures are reported, and appropriate actions are taken in accordance with the reason for any delays.

(c) Impairment of financial assets

The Company has two types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of goods and provision of services, and
- other receivables carried at amortized cost

While cash equivalents are also subject to the impairment requirement, the identified impairment loss was immaterial.

A. Trade receivables

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected allowance for credit losses for all trade receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 month before the end of reporting period, and the corresponding historical credit losses experienced within this period.

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On that basis, the allowance for credit losses as at December 31, 2023 and 2022, was determined as follows for trade receivables:

<i>(in thousands of Korean won)</i>	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
December 31, 2023					
Expected loss rate	0.00%	0.00%	0.00%	100.00%	
Gross carrying amount – trade receivables	₩ 7,460,584	₩ 101,047	₩ 15,884	₩ 53,860	₩ 7,631,375
Allowance for credit losses provision	-	-	-	53,860	53,860
December 31, 2022					
Expected loss rate	0.00%	0.00%	0.00%	100.00%	
Gross carrying amount – trade receivables	₩ 10,269,634	₩ 10,812	₩ 12,610	₩ 53,860	₩ 10,346,916
Allowance for credit losses provision	-	-	-	53,860	53,860

There is no movement in the allowance for credit losses for trade receivables for the years ended December 31, 2023 and 2022.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company.

Impairment losses on trade receivables are presented as net bad debt expenses in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

B. Other receivables amortized cost

Other receivables at amortized cost include short-term and long-term loans, non-trade receivables, deposits provided and others.

There is no allowance for credit losses provision for other receivables at amortized cost for the years ended December 31, 2023 and 2022.

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(d) Maximum exposure of credit risk

The maximum exposure of credit risk to financial assets held by the Company as at December 31, 2023 and 2022, is as follows. However, the value of acquired collaterals and the effects from other security are not considered.

<i>(in thousands of Korean won)</i>		2023		2022
Cash and cash equivalents	₩	27,803,349	₩	17,845,007
Short-term financial instruments		12,868,200		29,000,000
Financial assets at fair value through profit or loss		23,485,909		17,036,074
Trade receivables		7,577,515		10,293,056
Other receivables		4,319,155		3,220,660
	₩	<u>76,054,128</u>	₩	<u>77,394,797</u>
 <i>(in USD)</i>		 2023		 2022
Financial guarantee contracts ¹	USD	77,350,000	USD	83,850,000

¹ As financial guarantee liabilities and the Company's maximum exposure related to the financial guarantee contracts is the maximum amount that the Company is obliged to pay if the guarantee is called on under the related payment guarantee contracts (Note 36).

6.3 Liquidity Risk

The Company monitors the rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal financial ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions.

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The table below analyses the Company's financial liabilities into relevant maturity based on the remaining period at the financial reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest:

(in thousands of Korean won)

	2023			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade payables	₩ 2,559,319	₩ -	₩ -	₩ 2,559,319
Derivative liabilities	3,423,901	-	-	3,423,901
Short-term borrowings	33,391,117	-	-	33,391,117
Other payables	4,990,779	-	-	4,990,779
Current portion of long-term borrowings	2,226,668	-	-	2,226,668
Current lease liabilities	314,435	-	-	314,435
Long-term borrowings	2,335,381	5,742,125	67,460,180	75,537,686
Non-current lease liabilities	-	191,967	147,719	339,686
Financial guarantee contracts ¹	99,735,090	-	-	99,735,090
	₩ 148,976,690	₩ 5,934,092	₩ 67,607,899	₩ 222,518,681

¹ As financial guarantee liabilities to related parties of the Company, it is the maximum amount of financial guarantees and allocated to the earliest period in which the Company can be required to make payments (Note 36).

(in thousands of Korean won)

	2022			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Trade payables	₩ 3,577,741	₩ -	₩ -	₩ 3,577,741
Derivative liabilities	1,570,892	-	-	1,570,892
Short-term borrowings	23,092,527	-	-	23,092,527
Other payables	6,632,641	-	-	6,632,641
Current lease liabilities	337,679	-	-	337,679
Non-current lease liabilities	-	209,535	95,864	305,398
Financial guarantee contracts ¹	106,263,105	-	-	106,263,105
	₩ 141,474,585	₩ 209,535	₩ 95,864	₩ 141,779,983

¹ As financial guarantee liabilities to related parties of the Company, it is the maximum amount of financial guarantees and allocated to the earliest period in which the Company can be required to make payments (Note 36).

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6.4 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so the Company can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is total borrowings less cash and cash equivalents and short-term financial instruments. Total capital is 'equity' as shown in the separate statement of financial position plus net debt.

The gearing ratios as at December 31, 2023 and 2022, were as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Total borrowings	₩	102,600,000	₩	22,600,000
Less: cash and cash equivalents and short-term financial instruments		40,671,549		46,845,007
Net debt		61,928,451		(24,245,007)
Total equity		224,643,951		258,685,858
Total capital	₩	286,572,402	₩	234,440,851
Gearing ratio		21.61%		-10.34%

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7. Fair Value

7.1 Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Financial assets measured at fair value:				
Other financial assets				
Financial assets at fair value through other comprehensive income	₩ -	₩ -	₩ 3,766,547	₩ 3,766,547
Financial assets at fair value through profit or loss	23,485,909	23,485,909	17,036,074	17,036,074
Financial assets not measured at fair value ¹ :				
Cash and cash equivalents	₩ 27,803,349	₩ 27,803,349	₩ 17,845,007	₩ 17,845,007
Short-term financial instruments	12,868,200	12,868,200	29,000,000	29,000,000
Trade receivables	7,577,515	7,577,515	10,293,056	10,293,056
Other receivables	4,319,155	4,319,155	3,220,660	3,220,660
	₩ 76,054,128	₩ 76,054,128	₩ 81,161,344	₩ 81,161,344
Liabilities				
Financial liabilities measured at fair value:				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	₩ 3,423,901	₩ 3,423,901	₩ 1,570,892	₩ 1,570,892
Financial liabilities not measured at fair value ¹ :				
Trade payables	₩ 2,559,319	₩ 2,559,319	₩ 3,577,741	₩ 3,577,741
Other payables	4,990,779	4,990,779	6,632,641	6,632,641
Borrowings	102,600,000	102,600,000	22,600,000	22,600,000
Other financial liabilities	10,017,639	10,017,639	8,463,880	8,463,880
	₩ 123,591,638	₩ 123,591,638	₩ 42,845,154	₩ 42,845,154
Lease liabilities ¹ :				
Lease liabilities	₩ 623,201	₩ 623,201	₩ 627,436	₩ 627,436

¹ Financial assets and liabilities not measured at fair value and lease liabilities use their carrying amount as fair value as it is determined that the carrying amount is a reasonable approximation of fair value.

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7.2 Fair Value Hierarchy

Items that are measured at fair value or of which fair values are disclosed are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

Fair value hierarchy classifications of the financial instruments that are measured at fair value or of which fair values are disclosed as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through profit or loss	₩ -	₩ -	₩ 23,485,909	₩ 23,485,909
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	-	3,423,901	3,423,901

(in thousands of Korean won)

	2022			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
Financial assets at fair value through other comprehensive income	₩ 2,436,547	₩ 1,330,000	₩ -	₩ 3,766,547
Financial assets at fair value through profit or loss	-	-	17,036,074	17,036,074
Liabilities				
Other financial liabilities				
Financial liabilities at fair value through profit or loss	-	-	1,570,892	1,570,892

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7.3 Transfers Between Fair Value Hierarchy Levels

Changes in financial instruments classified as level 3 for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023		2022	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Beginning balance	₩ 17,036,074	₩ 1,570,892	₩ 869,438	₩ -
Amount recognized in other comprehensive income (valuation)	6,449,835	1,853,009	69,413	(395,769)
Acquisition	-	-	16,966,660	1,966,660
Transfer to level 2 ¹	-	-	(869,438)	-
Ending balance	₩ 23,485,909	₩ 3,423,901	₩ 17,036,074	₩ 1,570,892

¹ The financial instruments have been transferred to Level 2 as the Company entered into a share purchase agreement in December 2022, and the purchasing price of shares was carried at fair value (Note 10).

7.4 Valuation Techniques and the Inputs

Valuation techniques used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at December 31, 2023, are as follows:

(in thousands of Korean won)

Korean won)		2023			
	Fair value	Level	Valuation techniques	Inputs	Range of inputs
Assets					
Financial assets at fair value through profit or loss	₩ 23,485,909	3	Discounted cash flow model,	Volatility	42.34%
			Binomial model approach,	Discount rate	13.67%
			and others	Weighted average discount rate	13.66%
			Perpetual growth rate	0.00%	
Liabilities					
Financial liabilities at fair value through profit or loss	3,423,901	3	Discounted cash flow model,	Volatility	42.34%
			Binomial model approach,	Discount rate	13.67%
			and others	Weighted average discount rate	13.66%
			Perpetual growth rate	0.00%	

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7.5 Valuation Processes for Fair Value Measurements Categorized as Level 3

The Company's finance department performs the fair value measurements required for financial reporting purposes, including level 3 fair values. The finance department reports directly to the chief financial officer (CFO) and internal auditor. Discussions of valuation process and result are held between the CFO, internal auditor and the valuation team at quarterly basis, in line with the Company's quarterly reporting periods.

7.6 Sensitivity Analysis for Recurring Fair Value Measurements Categorized as Level 3

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the most favorable or most unfavorable amounts are presented.

The results of the sensitivity analysis for the effect on pre-tax profit or loss and pre-tax equity from changes in inputs for each financial instrument for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

		2023	
		Favorable changes	Unfavorable changes
Financial assets			
Financial assets at fair value through profit or loss ¹	₩	2,060,357	₩ (1,944,672)
Financial liabilities			
Financial liabilities at fair value through profit or loss ¹		752,454	(799,187)

(in thousands of Korean won)

		2022	
		Favorable changes	Unfavorable changes
Financial assets			
Financial assets at fair value through profit or loss ¹	₩	1,172,289	₩ (910,752)
Financial liabilities			
Financial liabilities at fair value through profit or loss ¹		367,073	(396,996)

¹ For exchangeable bonds, changes in their fair value are calculated by increasing or decreasing share value of underlying assets which are key unobservable inputs by 10%.

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8. Financial Instruments by Category

8.1 Carrying Amounts of Financial Instruments by Category

Carrying amounts of financial assets and liabilities, and lease liabilities by category as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

(in thousands of Korean won)

		2023				
		Financial assets at amortized cost		Financial assets at fair value through profit or loss		Total
Financial assets						
Cash and cash equivalents	₩	27,803,349	₩	-	₩	27,803,349
Short-term financial instruments		12,868,200		-		12,868,200
Trade receivables		7,577,515		-		7,577,515
Other receivables		4,319,155		-		4,319,155
Other non-current financial assets		-		23,485,909		23,485,909
	₩	52,568,219	₩	23,485,909	₩	76,054,128

(in thousands of Korean won)

		2022			
		Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial assets					
Cash and cash equivalents	₩	17,845,007	₩ -	₩ -	₩ 17,845,007
Short-term financial instruments		29,000,000	-	-	29,000,000
Trade receivables		10,293,057	-	-	10,293,057
Other receivables		3,220,660	-	-	3,220,660
Other current financial assets		-	1,330,000	-	1,330,000
Other non-current financial assets		-	2,436,547	17,036,074	19,472,621
	₩	60,358,724	₩ 3,766,547	₩ 17,036,074	₩ 81,161,345

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(in thousands of
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(in thousands of Korean won)	2023						
	Financial liabilities at amortized cost		Financial liabilities at fair value through profit or loss		Financial guarantee liabilities		Total
Financial liabilities							
Trade payables	₩	2,559,319	₩	-	₩	-	₩ 2,559,319
Short-term borrowings		32,600,000		-		-	32,600,000
Other payables		4,990,779		-		-	4,990,779
Other current financial liabilities		-		3,423,901		8,557,482	11,981,383
Current portion of long-term borrowings		1,250,000		-		-	1,250,000
Long-term borrowings		68,750,000		-		-	68,750,000
Other non-current financial liabilities		-		-		1,460,158	1,460,158
	₩	110,150,098	₩	3,423,901	₩	10,017,640	₩ 123,591,639

(in thousands of
Korean won)

(in thousands of Korean won)	2022						
	Financial liabilities at amortized cost		Financial liabilities at fair value through profit or loss		Financial guarantee liabilities		Total
Financial liabilities							
Trade payables	₩	3,577,741	₩	-	₩	-	₩ 3,577,741
Short-term borrowings		22,600,000		-		-	22,600,000
Other payables		6,632,640		-		-	6,632,640
Other current financial liabilities		-		1,570,892		6,736,763	8,307,655
Other non-current financial liabilities		-		-		1,727,117	1,727,117
	₩	32,810,381	₩	1,570,892	₩	8,463,880	₩ 42,845,153

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8.2 Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Financial assets at fair value through profit or loss		
Gain on valuation	₩ 6,449,835	₩ 69,413
Financial assets at amortized cost		
Interest income	2,007,415	912,677
Dividend income	-	79,200
Foreign exchange gain	241,896	845,877
Gain on foreign currency translation	135,535	2,154
Financial assets at fair value through other comprehensive income		
Loss on valuation	-	(1,722,178)
Financial liabilities at fair value through profit or loss		
Gain on valuation	-	395,769
Loss on valuation	(1,853,009)	-
Financial liabilities at amortized cost		
Interest expenses	(3,583,651)	(814,305)
Foreign exchange loss	(210,888)	(170,993)
Loss on foreign currency translation	(68,463)	(586,304)

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9. Trade Receivables and Other Receivables

Trade and other receivables and their provisions for impairment as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023			2022		
	Trade and other receivables	Allowance for doubtful account	Trade and other receivables, net	Trade and other receivables	Allowance for doubtful account	Trade and other receivables, net
Current assets						
Trade receivables	₩ 7,631,375	₩ (53,860)	₩ 7,577,515	₩ 10,346,916	₩ (53,860)	₩ 10,293,056
Other receivables						
Non-trade receivables	2,425,273	-	2,425,273	1,810,693	-	1,810,693
Accrued income	77,134	-	77,134	234,521	-	234,521
Short-term loans	330,466	-	330,466	174,917	-	174,917
Deposits provided	128,300	-	128,300	103,300	-	103,300
	<u>2,961,173</u>	<u>-</u>	<u>2,961,173</u>	<u>2,323,431</u>	<u>-</u>	<u>2,323,431</u>
Non-current assets						
Other receivables						
Long-term loans	1,091,031	-	1,091,031	685,571	-	685,571
Deposits provided	266,950	-	266,950	211,658	-	211,658
	<u>1,357,981</u>	<u>-</u>	<u>1,357,981</u>	<u>897,229</u>	<u>-</u>	<u>897,229</u>
	<u>₩ 11,950,529</u>	<u>₩ (53,860)</u>	<u>₩ 11,896,669</u>	<u>₩ 13,567,576</u>	<u>₩ (53,860)</u>	<u>₩ 13,513,716</u>

There are no movements in the allowance for doubtful account of trade and other receivables for the years ended December 31, 2023.

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10. Other Financial Assets

Details of other financial assets as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Other current financial assets		
Financial assets at fair value through other comprehensive income	₩ -	₩ 1,330,000
Other non-current financial assets		
Financial assets at fair value through other comprehensive income	-	2,436,547
Financial assets at fair value through profit or loss	23,485,909	17,036,074
	<u>₩ 23,485,909</u>	<u>₩ 20,802,621</u>

Details of financial assets at fair value through other comprehensive income as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Financial assets at fair value through other comprehensive income		
Non-marketable equity securities ¹	₩ -	₩ 1,330,000
Marketable equity securities ²	-	2,436,547
	<u>₩ -</u>	<u>₩ 3,766,547</u>

¹ It was equity securities of Pavilion Asset Management Co., Ltd., and the Company has completed to sell the securities in 2023, as the share purchase agreement entered into in December 2022 was terminated.

² It was equity securities of MiCo BioMed Co., Ltd., and the Company has completed to sell the securities in 2023, as the securities were paid as consideration paid of share purchase agreement to purchase 2,605,639 ordinary shares (percentage of ownership: 47.84%) of MiCoCeramics Ltd. held by MiCo Ltd., the Parent Company.

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Financial assets at fair value through other comprehensive income as at December 31, 2023 and 2022, consist of:

(in thousands of Korean won)	2022					
	Number of shares	Percentage of ownership (%)	Acquisition cost	Fair value ¹	Carrying amount	Unrealized gains and losses
MiCo BioMed Co., Ltd.	507,614	2.77	₩ 2,999,999	₩ 2,436,547	₩ 2,436,547	₩ (563,452)
Pavilion Asset Management Co., Ltd.	100,000	9.90	1,003,300	1,330,000	1,330,000	326,700
			₩ 4,003,299	₩ 3,766,547	₩ 3,766,547	₩ (236,752)

¹ As at December 31, 2022, MiCo BioMed Co., Ltd. is measured at fair value based on KOSDAQ market closing price and Pavilion Asset Management evaluated the payment of the share purchase agreement in December 2022, at fair value (Note 7).

Details of financial assets at fair value through profit or loss as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023	2022
Financial assets at fair value through profit or loss		
Exchangeable bonds ¹	₩ 23,485,909	₩ 17,036,074

¹ For the year ended December 31, 2022, the Company acquired exchangeable bonds issued by MiCo Ltd., the Parent Company, which can be exchanged with registered ordinary shares of MiCo Ceramics Ltd. Exchangeable bonds held by the Company are measured at fair value as at December 31, 2023 (Note 7). Meanwhile, the option held by the issuer of the exchangeable bonds was separately recognized as derivative liabilities (Note 20).

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11. Other Assets

Details of other assets as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Other current assets				
Advance payments ¹	₩	95,654	₩	355,706
Prepaid expenses		454,995		146,281
		<u>550,649</u>		<u>501,987</u>
Other non-current assets				
Long-term prepaid expenses		1,460,158		2,138,326
		<u>1,460,158</u>		<u>2,138,326</u>
	₩	<u>2,010,807</u>	₩	<u>2,640,313</u>

¹ As at December 31, 2023, ₩ 331,397 thousand (2022: ₩ 385,363 thousand) of allowance for doubtful account are included.

12. Inventories

Inventories as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023			2022		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Finished goods	₩ 366,536	₩ (68,800)	₩ 297,736	₩ 397,067	₩ (53,866)	₩ 343,201
Work in process	723,883	-	723,883	402,279	-	402,279
Merchandises	45,148	(523)	44,625	40,877	(4,074)	36,803
Raw materials	694,769	(1,642)	693,127	1,255,651	(114,270)	1,141,381
	<u>₩ 1,830,336</u>	<u>₩ (70,965)</u>	<u>₩ 1,759,371</u>	<u>₩ 2,095,874</u>	<u>₩ (172,210)</u>	<u>₩ 1,923,664</u>

Loss on valuation of inventories to net realizable value amounted to ₩ 5,219 thousand (2022: reversal of loss on valuation of inventories of ₩ 74,332 thousand). These were recognized as an expense during the year ended December 31, 2023 and included in 'cost of sales' in profit or loss.

Inventories recognized as an expense during the year ended December 31, 2023, amounted to ₩ 75,296,973 thousand (2022: ₩ 83,261,977 thousand). These were included in 'cost of sales'.

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13. Investments in Subsidiaries

Details of investments in subsidiaries as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	Location	2023			2022		
		Ownership interest (%)	Acquisition cost	Carrying amount	Ownership interest (%)	Acquisition cost	Carrying amount
KoMiCo Technology Inc	USA	100	₩ 19,084,587	₩ 72,687,433	100	₩ 19,084,587	₩ 74,894,795
KoMiCo Technology (Wuxi) Ltd.	China	100	16,386,176	44,767,437	100	16,386,176	46,378,143
KoMiCo Technology Taiwan Ltd.	Taiwan	100	9,101,965	23,362,410	100	9,101,965	23,353,336
KoMiCo Technology Singapore Pte. Ltd	Singapore	100	-	-	100	-	-
MiCoCeramics Ltd. ¹	Korea	47.84	53,018,412	66,605,112	-	-	-
			<u>₩ 97,591,140</u>	<u>₩ 207,422,392</u>		<u>₩ 44,572,728</u>	<u>₩ 144,626,274</u>

¹ On May 30, 2023, the Company entered into a share purchase agreement to purchase 2,605,639 ordinary shares (percentage of ownership: 47.84%) of MiCoCeramics Ltd. held by MiCo Ltd., the Parent Company. The Company paid cash, assets and liabilities of the advanced materials division and 507,614 ordinary shares of MiCo BioMed Co., Ltd. as consideration paid, and the transaction was terminated on July 3, 2023 (deemed acquisition date: July 1, 2023), accordingly, the Company has obtained controls over MiCoCeramics Ltd. Although the Company owns less than 50% of the voting rights of MiCoCeramics Ltd., the Company concluded that the Company controls over the entity, and includes it as a subsidiary, with considering that the potential voting rights of the exchangeable bonds (percentage of ownership: 7.66%), which are exchangeable to ordinary shares of MiCoCeramics Ltd. held by the Company. As a business combination of entities under common control, the carrying amount of investments in subsidiaries from this transaction is recognized as carrying amount in the consolidated financial statements of the ultimate parent company. Also, the difference between the consideration paid and the carrying amount of the investments in subsidiaries was recognized as other reserves (Note 25).

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Changes in investments in subsidiaries for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)		2023							
		Beginning balance	Acquisition	Disposal	Dividends	Share of profit or loss	Share of other comprehen- sive income	Others	Ending balance
KoMiCo Technology Inc.	₩	74,894,795	₩ -	₩ -	₩ (1,769,014)	₩ (1,837,185)	₩ 1,398,837	₩ -	₩ 72,687,433
KoMiCo Technology (Wuxi) Ltd.		46,378,143	-	(35,355)	(4,514,871)	3,144,135	(204,615)	-	44,767,437
KoMiCo Technology Taiwan Ltd.		23,353,336	-	(11,681)	(1,172,545)	806,357	386,943	-	23,362,410
KoMiCo Technology Singapore Pte.LTD ¹		-	-	-	-	-	-	-	-
MiCoCeramics Ltd.		-	53,018,412	-	-	13,542,520	-	44,180	66,605,112
	₩	144,626,274	₩ 53,018,412	₩ (47,036)	₩ (7,456,430)	₩ 15,655,827	₩ 1,581,165	₩ 44,180	₩ 207,422,392

¹ During the year ended December 31, 2023, the Company recognized ₩ 1,763,956 thousand of share of loss and ₩ (87,438) thousand of share of other comprehensive income for financial guarantee contract, which are net investments, among the unrecognized share of losses for KoMiCo Technology Singapore Pte.LTD.

(in thousands of Korean won)		2022						
		Beginning balance	Acquisition	Disposal	Dividends	Share of profit or loss	Share of other comprehensive income	Ending balance
KoMiCo Technology Inc.	₩	64,713,936	₩ 39,085	₩ -	₩ (1,415,907)	₩ 7,054,219	₩ 4,503,462	₩ 74,894,795
KoMiCo Technology (Wuxi) Ltd.		40,127,765	-	(118,886)	-	7,767,815	(1,398,551)	46,378,143
KoMiCo Technology Taiwan Ltd.		19,938,188	-	-	(573,099)	4,906,447	(918,200)	23,353,336
KoMiCo Technology Singapore Pte.LTD ¹		-	-	-	-	-	-	-
	₩	124,779,889	₩ 39,085	₩ (118,886)	₩ (1,989,006)	₩ 19,728,481	₩ 2,186,711	₩ 144,626,274

¹ During the year ended December 31, 2022, the Company recognized ₩ 572,927 thousand of share of loss and ₩ (356,065) thousand of share of other comprehensive income for financial guarantee contract, which are net investments, among the unrecognized share of losses for KoMiCo Technology Singapore Pte.LTD.

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Summarized financial information for subsidiaries as at and for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023					
	Assets	Liabilities	Equity	Sales	Profit	Total comprehen- sive income
KoMiCo Technology Inc (consolidated)	₩ 109,309,610	₩ 35,488,343	₩ 73,821,267	₩ 53,518,743	₩ (1,219,029)	₩ 179,809
KoMiCo Technology (Wuxi) Ltd. (consolidated)	59,286,156	13,685,690	45,600,466	50,661,442	3,269,448	3,064,834
KoMiCo Technology Taiwan Ltd.	29,130,841	6,000,229	23,130,612	17,378,309	944,363	1,331,305
KoMiCo Technology Singapore Pte. Ltd.	4,299,419	12,193,149	(7,893,730)	7,299,633	(1,639,319)	(1,726,757)
MiCoCeramics Ltd.	250,980,595	106,693,891	144,286,704	61,694,962	27,527,811	26,827,308
(in thousands of Korean won)	2022					
	Assets	Liabilities	Equity	Sales	Profit	Total comprehensive income
KoMiCo Technology Inc (consolidated)	₩ 107,159,717	₩ 31,749,245	₩ 75,410,472	₩ 52,790,273	₩ 7,137,847	₩ 11,641,308
KoMiCo Technology (Wuxi) Ltd. (consolidated)	63,773,347	16,722,844	47,050,503	65,206,566	7,881,499	6,482,948
KoMiCo Technology Taiwan Ltd.	33,327,396	10,355,544	22,971,852	25,869,710	5,237,277	4,319,077
KoMiCo Technology Singapore Pte. Ltd.	6,475,724	12,642,695	(6,166,972)	7,966,860	(509,650)	(865,715)

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As at December 31, 2023, the tables below provide a reconciliation of the subsidiaries' net assets to the carrying amount of its interest in the subsidiaries.

(in thousands of
Korean won)

	2023				
	Net assets at the end of the year (A)	Company's share in % (B)	Company's share in KRW(A*B)	Elimination of intergroup transactions and others	Book amount
KoMiCo Technology Inc (consolidated)	₩ 73,821,267	100.00	₩ 73,821,267	₩ (1,133,834)	₩ 72,687,433
KoMiCo Technology (Wuxi) Ltd. (consolidated)	45,600,466	100.00	45,600,466	(833,029)	44,767,437
KoMiCo Technology Taiwan Ltd.	23,130,612	100.00	23,130,612	231,798	23,362,410
KoMiCo Technology Singapore Pte. Ltd.	(7,893,730)	100.00	(7,893,730)	7,893,730	-
MiCoCeramics Ltd. ¹	144,286,704	47.84	69,019,711	(2,414,599)	66,605,112
	<u>₩ 278,945,319</u>		<u>₩ 203,678,326</u>	<u>₩ 3,744,066</u>	<u>₩ 207,422,392</u>

¹ On May 30, 2023, the Company entered into a share purchase agreement to purchase 2,605,639 ordinary shares (percentage of ownership: 47.84%) of MiCoCeramics Ltd. held by MiCo Ltd., the Parent Company. The Company paid cash, assets and liabilities of the advanced materials division and 507,614 ordinary shares of MiCo BioMed Co., Ltd. as consideration paid, and the transaction was terminated on July 3, 2023 (deemed acquisition date: July 1, 2023), accordingly, the Company has obtained controls over MiCoCeramics Ltd. Although the Company owns less than 50% of the voting rights of MiCoCeramics Ltd., the Company concluded that the Company controls over the entity, and includes it as a subsidiary, with considering that the potential voting rights of the exchangeable bonds (percentage of ownership: 7.66%), which are exchangeable to ordinary shares of MiCoCeramics Ltd. held by the Company. As a business combination of entities under common control, the carrying amount of investments in subsidiaries from this transaction is recognized as carrying amount in the consolidated financial statements of the ultimate parent company. Also, the difference between the consideration paid and the carrying amount of the investments in subsidiaries was recognized as other reserves (Note 25).

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14. Property, Plant and Equipment

Details of property, plant and equipment as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			
	Cost	Accumulated depreciation	Government grants	Book amount
Land	₩ 17,356,993	₩ -	₩ -	₩ 17,356,993
Buildings	26,108,817	(10,165,444)	-	15,943,373
Structure	2,129,974	(346,671)	-	1,783,303
Machinery	40,081,181	(22,374,681)	(19,136)	17,687,364
Vehicles	2,546,982	(1,616,669)	(11,667)	918,646
Facilities	54,151,549	(37,422,514)	(436,685)	16,292,350
Tools and equipment	108,913	(108,889)	-	24
Supplies	4,045,193	(2,704,940)	(79,998)	1,260,255
Construction-in-progress	3,598,627	-	(1,093,185)	2,505,442
Right-of-use assets	1,351,869	(739,913)	-	611,956
	<u>₩ 151,480,098</u>	<u>₩ (75,479,721)</u>	<u>₩ (1,640,671)</u>	<u>₩ 74,359,706</u>

(in thousands of Korean won)

	2022			
	Cost	Accumulated depreciation	Government grants	Book amount
Land	₩ 22,728,488	₩ -	₩ -	₩ 22,728,488
Buildings	27,343,289	(9,501,701)	-	17,841,588
Structure	1,938,698	(217,874)	-	1,720,824
Machinery	38,991,798	(19,579,450)	(22,007)	19,390,341
Vehicles	2,330,842	(1,586,617)	(16,667)	727,558
Facilities	52,369,106	(28,901,385)	(627,653)	22,840,068
Tools and equipment	140,610	(140,583)	-	27
Supplies	3,721,821	(2,102,775)	(58,765)	1,560,281
Construction-in-progress	1,688,900	-	-	1,688,900
Right-of-use assets	1,244,378	(626,709)	-	617,669
	<u>₩ 152,497,930</u>	<u>₩ (62,657,094)</u>	<u>₩ (725,092)</u>	<u>₩ 89,115,744</u>

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Changes in property, plant and equipment for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023						
	Beginning balance	Acquisition	Disposal ¹	Depreciation	Transfer	Government grants	Ending balance
Land	₩ 22,728,488	₩ -	₩ (5,371,495)	₩ -	₩ -	₩ -	₩ 17,356,993
Buildings	17,841,588	501,146	(1,721,541)	(883,320)	205,500	-	15,943,373
Structure	1,720,824	191,276	-	(128,797)	-	-	1,783,303
Machinery	19,390,341	2,106,869	(861,532)	(3,807,264)	858,950	-	17,687,364
Vehicles	727,558	489,833	-	(298,745)	-	-	918,646
Facilities	22,840,068	3,303,680	(1,035,666)	(9,440,182)	624,450	-	16,292,350
Tools and equipment	27	-	(3)	-	-	-	24
Supplies	1,560,281	347,644	(10,673)	(636,997)	-	-	1,260,255
Construction-in- progress	1,688,900	3,598,627	-	-	(1,688,900)	(1,093,185)	2,505,442
Right-of-use assets	617,669	531,984	(102,362)	(435,335)	-	-	611,956
	<u>₩ 89,115,744</u>	<u>₩ 11,071,059</u>	<u>₩ (9,103,272)</u>	<u>₩ (15,630,640)</u>	<u>₩ -</u>	<u>₩ (1,093,185)</u>	<u>₩ 74,359,706</u>

¹ Includes property, plant and equipment of the advanced materials division that were paid as consideration paid when acquiring ordinary shares of MiCoCeramics Ltd. in 2023.

(in thousands of Korean won)	2022						
	Beginning balance	Acquisition	Disposal	Depreciation	Transfer	Government grants	Ending balance
Land	₩ 21,130,111	₩ 1,546,127	₩ -	₩ -	₩ 52,250	₩ -	₩ 22,728,488
Buildings	17,512,636	1,195,169	-	(893,617)	27,400	-	17,841,588
Structure	826,871	972,409	-	(78,456)	-	-	1,720,824
Machinery	19,495,243	3,359,275	(7,090)	(3,751,323)	317,200	(22,964)	19,390,341
Vehicles	622,701	354,548	(6,704)	(333,028)	90,041	-	727,558
Facilities	28,749,667	3,547,036	(267,801)	(9,576,311)	507,477	(120,000)	22,840,068
Tools and equipment	29	-	(2)	-	-	-	27
Supplies	1,867,212	262,993	-	(610,424)	40,500	-	1,560,281
Construction-in- progress	988,368	1,651,400	-	-	(1,034,868)	84,000	1,688,900
Right-of-use assets	623,300	372,111	-	(377,742)	-	-	617,669
	<u>₩ 91,816,138</u>	<u>₩ 13,261,068</u>	<u>₩ (281,597)</u>	<u>₩ (15,620,901)</u>	<u>₩ -</u>	<u>₩ (58,964)</u>	<u>₩ 89,115,744</u>

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Line items including depreciation in the statements of comprehensive income for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Cost of sales	₩	10,648,439	₩	10,478,231
Selling and administrative expenses		3,227,610		3,545,823
Research and development		1,754,591		1,596,847
	₩	<u>15,630,640</u>	₩	<u>15,620,901</u>

Certain property, plant and equipment of the Company are provided as collateral in relation to borrowings at the end of reporting period (Note 18).

Details of insured assets at the end of reporting period are as follows:

<i>(in thousands of Korean won)</i>	Insured assets	Insured amount	Financial institution
Comprehensive property insurance	Property, plant and equipment and investment properties Inventories	₩ 203,640,400	Samsung Fire & Marine Insurance

The above insurance has been pledged as collateral by Kookmin Bank and Shinhan bank up to a maximum of ₩ 24,106 million. In addition to the above insurance, the Company carries group accident and car insurance for its employees.

15. Leases

Right-of-use assets by category of underlying assets as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Properties	₩	17,427	₩	52,454
Vehicles		594,529		565,215
	₩	<u>611,956</u>	₩	<u>617,669</u>

Additions to the right-of-use assets during the 2023 financial year were ₩ 531,984 thousand.

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The separate statement of comprehensive income shows the following amounts relating to leases:

<i>(in thousands of Korean won)</i>	2023	2022
Depreciation of right-of-use assets		
Properties	₩ 72,419	₩ 68,842
Vehicles	362,916	308,900
	<u>435,335</u>	<u>377,742</u>
Interest expense relating to lease liabilities	25,409	14,760
Expense relating to short-term leases	127,633	237,938
Expense relating to leases of low-value assets that are not short-term leases	205,642	221,943
	<u>₩ 794,019</u>	<u>₩ 852,383</u>

Details of lease liabilities as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning	₩ 627,436	₩ 635,013
Acquisition	531,984	372,111
Interest expenses	25,409	14,760
Payments	(457,583)	(394,448)
Disposal ¹	(104,045)	-
Ending	<u>₩ 623,201</u>	<u>₩ 627,436</u>

¹ Includes lease liabilities of the advanced materials division that were paid as consideration paid when acquiring ordinary shares of MiCoCeramics Ltd. in 2023.

Maturity analysis of the lease liabilities as at December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Within one year	₩ 309,314	₩ 333,601
Later than one year but not later than two years	174,638	202,557
Later than two years but not later than five years	139,249	91,278
	<u>₩ 623,201</u>	<u>₩ 627,436</u>

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16. Investment Properties

Details of investment properties as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023			2022		
	Cost	Accumulated depreciation	Book amount	Cost	Accumulated depreciation	Book amount
Land	₩ 2,031,727	₩ -	₩ 2,031,727	₩ 2,031,727	₩ -	₩ 2,031,727
Buildings	4,959,826	(1,214,484)	3,745,342	4,959,826	(1,032,356)	3,927,470
	<u>₩ 6,991,553</u>	<u>₩ (1,214,484)</u>	<u>₩ 5,777,069</u>	<u>₩ 6,991,553</u>	<u>₩ (1,032,356)</u>	<u>₩ 5,959,197</u>

Changes in investment properties for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023				
	Beginning balance	Acquisition	Depreciation	Transfer	Ending balance
Land	₩ 2,031,727	₩ -	₩ -	₩ -	₩ 2,031,727
Buildings	3,927,470	-	(182,128)	-	3,745,342
	<u>₩ 5,959,197</u>	<u>₩ -</u>	<u>₩ (182,128)</u>	<u>₩ -</u>	<u>₩ 5,777,069</u>

(in thousands of Korean won)	2022				
	Beginning balance	Acquisition	Depreciation	Transfer	Ending balance
Land	₩ 2,031,727	₩ -	₩ -	₩ -	₩ 2,031,727
Buildings	4,109,598	-	(182,128)	-	3,927,470
	<u>₩ 6,141,325</u>	<u>₩ -</u>	<u>₩ (182,128)</u>	<u>₩ -</u>	<u>₩ 5,959,197</u>

The depreciation expense of ₩ 182,128 thousand (2022: ₩ 182,128 thousand) has been included in 'other expenses' in the statement of comprehensive income for the year ended December 31, 2023.

Fair value of land is ₩ 6,173,380 thousand at the end of reporting period. The fair value of land is classified in Level 3 based on inputs used in valuation techniques and measured by considering relative valuation model.

During the year, rental income earned from investment property is ₩ 759,000 thousand (2022: ₩ 379,500 thousand), and operating expenses from property that generated rental income are ₩ 182,128 thousand (2022: ₩ 182,128 thousand).

Certain investment properties are provided as collateral in relation to borrowings at the end of reporting period (Note 18).

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17. Intangible Assets

Intangible assets as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	2023				
	Cost	Accumulated amortization	Accumulated impairment losses	Government grants	Book amount
Software	₩ 1,346,820	₩ (1,188,066)	₩ -	₩ (53,437)	₩ 105,317
Facility use rights	3,634,938	(7,724)	-	-	3,627,214
	<u>₩ 4,981,758</u>	<u>₩ (1,195,790)</u>	<u>₩ -</u>	<u>₩ (53,437)</u>	<u>₩ 3,732,531</u>

<i>(in thousands of Korean won)</i>	2022				
	Cost	Accumulated amortization	Accumulated impairment losses	Government grants	Book amount
Software	₩ 1,289,520	₩ (1,030,468)	₩ -	₩ (50,980)	₩ 208,072
Facility use rights	3,379,035	-	(48,315)	-	3,330,720
	<u>₩ 4,668,555</u>	<u>₩ (1,030,468)</u>	<u>₩ (48,315)</u>	<u>₩ (50,980)</u>	<u>₩ 3,538,792</u>

Changes in intangible assets for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023				
	Beginning balance	Acquisition	Disposal	Amortization	Ending balance
Software	₩ 208,072	₩ 37,300	₩ -	₩ (140,055)	₩ 105,317
Facility use rights	3,330,720	375,218	(71,000)	(7,724)	3,627,214
	<u>₩ 3,538,792</u>	<u>₩ 412,518</u>	<u>₩ (71,000)</u>	<u>₩ (147,779)</u>	<u>₩ 3,732,531</u>

<i>(in thousands of Korean won)</i>	2022			
	Beginning balance	Disposal	Amortization	Ending balance
Software	₩ 391,609	₩ -	₩ (183,537)	₩ 208,072
Facility use rights	3,531,050	(200,330)	-	3,330,720
	<u>₩ 3,922,659</u>	<u>₩ (200,330)</u>	<u>₩ (183,537)</u>	<u>₩ 3,538,792</u>

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Line items in the statement of comprehensive income including amortization for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Cost of sales	₩	82,975	₩	84,497
Selling and administration expenses		44,791		68,477
Research and development costs		20,013		30,563
	₩	147,779	₩	183,537

The Company recognized total research and development costs of ₩ 11,119,208 thousand (2022: ₩ 12,646,892 thousand) as selling and administrative expenses.

18. Assets Provided as Collateral

Details of assets provided as collateral for the Company's obligation at the end of reporting period are as follows:

<i>(in thousands of Korean won)</i>					
Line item	Secured assets	Provided to	Carrying amount	Secured amount	Detail
Property, plant and equipment and investment properties	Land, Building	Kookmin Bank	₩ 33,951,442	₩ 57,120,000	Assets provided as collateral in relation to borrowings
		Shinhan Bank	1,855,470	6,016,000	Assets provided as collateral in relation to borrowings

19. Trade Payables and Other Payables

Details of trade payables and other payables as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Current liabilities				
Trade payables	₩	2,559,319	₩	3,577,741
Other payables				
Non-trade payables		4,290,864		4,881,054
Accrued expenses		281,755		1,412,662
Leasehold deposits received		418,160		338,925
	₩	7,550,098	₩	10,210,382

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20. Other Financial Liabilities

Details of other financial liabilities as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Other current financial liabilities		
Financial guarantee liabilities	₩ 8,557,482	₩ 6,736,763
Derivative liabilities ¹	3,423,901	1,570,892
	<u>11,981,383</u>	<u>8,307,655</u>
Other non-current financial liabilities		
Financial guarantee liabilities	1,460,158	1,727,117
	<u>₩ 13,441,541</u>	<u>₩ 10,034,772</u>

¹ For the exchangeable bonds acquired by the Company, 'the issuer and the person designated by the issuer' have the right to request the sales of a portion of exchangeable bonds on the date of each month after 12 months from the issuance date to 30 months. Bond holders are required to sell the bonds they hold according to the issuer's claim. The put options held by the exchangeable bonds issuer are separately recognized as derivative liabilities (Note 10).

21. Other Liabilities

Details of other liabilities as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Other current liabilities		
Advances from customers	₩ -	₩ 133,000
Withholdings	1,172,107	2,176,820
Liabilities included in salaries and others	2,020,369	3,874,140
	<u>₩ 3,192,476</u>	<u>₩ 6,183,960</u>
Other non-current liabilities		
Long-term employee benefits	₩ 1,472,149	₩ 1,522,019

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22. Borrowings

Details of short-term borrowings as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

Creditor	Details	Latest maturity date	Annual interest rate (%)	2023	2022
Kookmin Bank	Facility loans	-	-	₩ -	₩ 10,000,000
Kookmin Bank	Loans for operating funds	2024-09-26	4.49	7,600,000	7,600,000
Shinhan Bank	Loans for operating funds	2024-06-27	4.34	5,000,000	5,000,000
Citibank Korea Inc.	Loans for operating funds/ Swap-linked loan	2024-06-09	4.90	20,000,000	-
				<u>₩ 32,600,000</u>	<u>₩ 22,600,000</u>

Certain land and buildings of the Company are pledged as collateral for the above short-term borrowings from Kookmin Bank (Note 18).

Details of long-term borrowings as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

Creditor	Details	Latest maturity date	Annual interest rate (%)	2023	2022
Kookmin Bank	Facility loans	2026-05-31	4.72	₩ 30,000,000	₩ -
Kookmin Bank	Facility loans	2026-05-10	4.70	10,000,000	-
Shinhan Bank	Loans for operating funds	2026-05-18	4.87	20,000,000	-
KDB	Loans for operating funds	2026-05-10	4.43	10,000,000	-
				70,000,000	-
	Less: reclassification of current portion			(1,250,000)	-
				<u>₩ 68,750,000</u>	<u>₩ -</u>

Certain land and buildings of the Company are pledged as collateral for the above long-term borrowings from Kookmin Bank and Shinhan Bank (Note 18).

Details of annual repayment schedule of long-term borrowings as at December 31, 2023, are as follows:

(in thousands of Korean won)

	Amount
January 1, 2024 ~December 31, 2024	₩ 1,250,000
January 1, 2025 ~December 31, 2025	2,500,000
January 1, 2026 ~December 31, 2026	66,250,000
	<u>₩ 70,000,000</u>

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23. Post-employment Benefit Obligation

The Company operates both defined benefit plans and defined contribution plans.

23.1 Defined Benefit Obligations

Details of post-employment benefit obligation in the statements of financial position as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Present value of defined benefit obligations	₩ 16,078,146	₩ 14,000,640
Fair value of plan assets	(4,968,720)	(4,079,027)
Net defined benefit liabilities	₩ 11,109,426	₩ 9,921,613

Movements in the defined benefit obligations for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning balance	₩ 14,000,640	₩ 13,239,230
Current service cost	2,809,681	2,903,958
Interest expense	706,478	370,730
Remeasurements:		
Actuarial loss from change in demographic assumptions	1,279	-
Actuarial gain from change in financial assumptions	(96,337)	(531,188)
Actuarial gain from experience adjustments	(548,331)	(406,726)
Benefit payments	(981,640)	(1,705,140)
Transfer from / to affiliates	186,376	129,776
Ending balance	₩ 16,078,146	₩ 14,000,640

Movements in the fair value of plan assets for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning balance	₩ 4,079,027	₩ 3,005,929
Interest income	208,824	85,152
Remeasurements	(58,421)	(43,574)
Contribution paid by user	1,100,000	1,100,000
Benefit payments	(435,544)	(77,184)
Transfer from / to affiliates	74,834	8,704
Ending balance	₩ 4,968,720	₩ 4,079,027

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There are no contributions expected to be paid with respect to the defined benefit plan during the next reporting period.

Plan assets as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	2023		2022	
	Amount	Ratio (%)	Amount	Ratio (%)
Deposit and installments and others	₩ 4,968,720	100.00	₩ 4,079,027	100.00
	<u>₩ 4,968,720</u>	<u>100.00</u>	<u>₩ 4,079,027</u>	<u>100.00</u>

Actual gain on plan assets is as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Plan assets	₩ 150,403	₩ 41,578

Details of total expenses recognized in profit or loss are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Current service cost	₩ 2,809,681	₩ 2,903,958
Interest expense, net	497,654	285,578
Total expenses included in employee benefits	<u>₩ 3,307,335</u>	<u>₩ 3,189,536</u>

Total expenses by each line items recognized as profit or loss are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Cost of sales	₩ 1,638,945	₩ 1,460,196
Selling and administrative expenses	1,246,923	1,351,377
Research and development	421,467	377,963
	<u>₩ 3,307,335</u>	<u>₩ 3,189,536</u>

Actuarial gain (loss) recognized in other comprehensive income are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Actuarial loss before income tax	₩ (584,968)	₩ (894,339)
Tax effects	131,093	205,064
Actuarial loss, net of tax	<u>₩ (453,875)</u>	<u>₩ (689,275)</u>

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The significant actuarial assumptions as at December 31, 2023 and 2022, are as follows:

<i>(in percentage)</i>	2023	2022
Discount rate (%)	4.55	5.35
Expected salary growth rate (%)	6.90	7.80
Estimated retirement rates (%)	13.18	13.21
Estimated mortality rate (%)	0.03	0.04

Effects on the defined benefit obligation to changes in the principal assumptions is:

<i>(in thousands of Korean won)</i>	2023		2022	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	₩ (1,199,160)	₩ 1,386,870	₩ (1,056,666)	₩ 1,221,757
Expected salary growth rate	1,343,088	(1,186,775)	1,182,542	(1,045,123)

The weighted average duration of the defined benefit obligation is 8.3701 years. The expected maturity analysis of discounted pension benefits as at December 31, 2023, is as follows:

<i>(in thousands of Korean won)</i>	Less than 2 years	Between 2-5 years	Between 5-10 years	Over 10 years	Total
Benefit payments	₩ 1,593,963	₩ 4,131,442	₩ 3,951,157	₩ 6,401,584	₩ 16,078,146

23.2 Defined Contribution Plan

The expense recognized in the current period in relation to defined contribution plans was ₩ 451,372 thousand.

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24. Share Options

The share-based payment of the Company is the share options with stock appreciation rights granted to directors on November 16, 2016, with an exercise price of ₩ 12,000. Right to exercise share options is granted if the employees have been completed service for two years after the grant date.

The share-based payment of the Company was fully exercised within the exercise period and has expired.

Changes in the number of share options outstanding and their related weighted average exercise prices for the years ended December 31, 2023 and 2022, are as follows:

	Number of options (in shares)		Average exercise price per share option (in Korean won)	
	2023	2022	2023	2022
Beginning	44,100	51,300	₩ 43,100	₩ 67,100
Granted	-	-	-	-
Exercised	(44,100)	(7,200)	50,142	51,444
Expired	-	-	-	-
Ending	-	44,100	₩ -	₩ 43,100

The Company measured the cost of the share options granted by fair value using the binomial model approach. The related assumptions and variables to measure the cost of the share options granted are as follows:

(in Korean won)	2022
Fair value per option	₩ 31,111
Share price at the end of the reporting period	43,100
Expected price volatility (%)	49.16
Risk-free interest rate (%)	3.75
Dividend yield (%)	1.25
Expected option life	0.88 years

Book amount of liabilities and intrinsic value recognized in relation to share-based payments as at December 31, 2022, are as follows:

(in thousands of Korean won)	2022
Book amount of liabilities	₩ 1,371,995
Intrinsic value	1,371,510

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25. Issued capital and Reserves

Details of issued capital as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won and in number of shares)</i>	2023	2022
Total number of authorized shares to be issue	100,000,000	100,000,000
Par value per share <i>(in Korean won)</i>	₩ 500	₩ 500
Total number of shares issued	10,460,684	10,020,447
Issued capital	₩ 5,230,342	₩ 5,010,224

Changes in issued capital and share premium for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won and in number of shares)</i>	Number of shares	Issued capital	Share premium	Total
January 1, 2022	10,020,447	₩ 5,010,224	₩ 61,502,163	₩ 66,512,387
December 31, 2022	10,020,447	₩ 5,010,224	₩ 61,502,163	₩ 66,512,387
January 1, 2023	10,020,447	₩ 5,010,224	₩ 61,502,163	₩ 66,512,387
Capital increase ¹	440,237	₩ 220,118	₩ 19,758,480	₩ 19,978,598
December 31, 2023	10,460,684	₩ 5,230,342	₩ 81,260,643	₩ 86,490,985

¹ MiCo Ltd., the Parent Company, acquired additional 440,237 shares by participating in the Company's capital increase through allocation to a third party in 2023.

Details of reserves as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Share premium	₩ 81,260,643	₩ 61,502,163
Other reserves ¹	(66,858,401)	12,095,472
	₩ 14,402,242	₩ 73,597,635

¹ On July 1, 2023, as a deemed acquisition date, the Company has obtained controls over MiCoCeramics Ltd. by acquiring 2,605,639 ordinary shares (percentage of ownership: 47.84%) of MiCoCeramics Ltd. held by MiCo Ltd., the Parent Company. As a business combination of entities under common control, the carrying amount of investments in subsidiaries from this transaction is recognized as carrying amount in the consolidated financial statements of the ultimate parent company. Also, the difference between the consideration paid and the carrying amount of the investments in subsidiaries was recognized as other reserves.

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26. Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Equity instruments at fair value through other comprehensive income	₩ -	₩ (185,140)
Share of other comprehensive income of associates	8,867,561	7,373,835
	<u>₩ 8,867,561</u>	<u>₩ 7,188,695</u>

27. Elements of other stockholders equity

As at December 31, 2023 and 2022, elements of other stockholders equity are treasury shares held by the Company to stabilize share prices and enhance the value of shareholders.

<i>(in thousands of Korean won)</i>	2023	2022
Treasury shares	₩ (2,914,979)	₩ (2,914,979)
	<u>₩ (2,914,979)</u>	<u>₩ (2,914,979)</u>

28. Retained Earnings

Retained earnings as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	2023	2022
Earned profit reserves ¹	₩ 3,496,158	₩ 2,502,102
Retained earnings before appropriation	195,562,627	173,302,182
	<u>₩ 199,058,785</u>	<u>₩ 175,804,284</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital. The reserve is not available for dividends payment, but may be transferred to issued capital or used to reduce accumulated deficit.

The appropriation of retained earnings for the year ended December 31, 2023, is expected to be appropriated on March 29, 2024. The appropriation date for the year ended December 31, 2022, was March 31, 2023.

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The appropriation of retained earnings for the years ended December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Unappropriated retained earnings carried over from prior year	₩ 162,367,557	₩ 130,646,128
Changes in retained earnings from equity method	(335,087)	-
Transfer to retained earnings due to disposal of financial assets at fair value through other comprehensive income	(472,931)	-
Remeasurements of defined benefit plan	453,875	689,275
Profit	33,549,213	41,966,780
Transfers such as discretionary reserves	-	-
Retained earnings available for appropriation	195,562,627	173,302,183
Appropriation of retained earnings	4,567,554	10,934,626
Earned profit reserves	415,232	994,057
Dividends (Cash dividend (%): Ordinary share: 2023: ₩ 400 (80.0%), 2022: ₩ 1,000 (200.0%)	4,152,322	9,940,569
Unappropriated retained earnings to be carried forward	₩ 190,995,073	₩ 162,367,557

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29. Breakdown of Expenses by Nature

Details of breakdown of expenses by nature for the years ended December 31, 2023 and 2022, as are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Changes in inventories of finished goods and work in process	₩ (276,139)	₩ 740,163
Raw materials used	11,305,264	13,661,437
Sales of goods	3,077,807	5,427,082
Employee benefits expenses	43,624,917	45,692,594
Employee benefits	3,693,614	3,428,902
Travel expenses	364,090	361,664
Depreciation and amortization	15,778,420	15,986,564
Commission expenses	3,036,413	3,792,810
Rental expenses	468,471	475,700
Insurance premium	2,354,211	3,087,132
Supplies expenses	6,666,963	8,474,854
Vehicles maintenance expenses	608,431	745,186
Utility expenses	7,931,843	6,602,482
Outsourcing expenses	7,957,975	9,570,365
Repairs expenses	2,956,905	3,297,726
Taxes and dues	2,041,792	1,821,586
Freight expenses	450,019	405,603
Share-based payment expenses	310,075	(1,170,635)
Other expenses	3,132,531	3,158,800
	<u>₩ 115,483,602</u>	<u>₩ 125,560,015</u>

Details of employee benefits expenses incurred for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Salaries	₩ 39,866,209	₩ 42,041,275
Post-employment benefits	3,758,708	3,651,319
	<u>₩ 43,624,917</u>	<u>₩ 45,692,594</u>

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30. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Salaries	₩ 14,136,738	₩ 14,814,043
Post-employment benefits	1,345,517	1,452,583
Employee benefits	1,494,809	1,365,823
Travel expenses	277,531	301,641
Vehicles maintenance expenses	562,171	677,541
Communication expenses	44,460	40,578
Taxes and dues	688,542	603,098
Commission expenses	1,780,931	2,025,531
Rental expenses	81,362	68,672
Depreciation	3,227,610	3,727,950
Amortization	44,791	68,477
Repairs expenses	530,081	919,727
Insurance premium	932,381	1,240,861
Entertainment expenses	927,189	789,893
Advertising expense	202,083	151,897
Supplies expenses	453,976	680,304
Utility expenses	216,966	281,334
Training expenses	177,469	229,465
Freight expenses	303,328	349,374
Research and development	11,119,208	12,646,892
Outsourcing expenses	558,704	415,899
Share-based payment expenses	310,075	(1,170,635)
Others	824,673	690,356
	<u>₩ 40,240,595</u>	<u>₩ 42,371,304</u>

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31. Other Income and Expenses

Details of other income for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Rental income	₩ 809,603	₩ 459,057
Commissions received	9,390	5,350
Gain on disposal of property, plant and equipment	351,823	38,939
Gain on disposal of intangible assets	210,818	-
Royalty income	4,658,703	5,804,871
Miscellaneous revenues	40,557	100,548
	<u>₩ 6,080,894</u>	<u>₩ 6,408,765</u>

Details of other expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Donations	₩ 41,160	₩ 31,680
Loss on disposal of property, plant and equipment	233	275,049
Loss on disposal of intangible assets	-	330
Depreciation of investment properties	182,128	-
Miscellaneous expenses	31,673	2,367
Loss on disposal of assets held for sale	177,411	-
	<u>₩ 432,605</u>	<u>₩ 309,426</u>

32. Finance Income and Finance Costs

Details of finance income for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Interest income	₩ 2,007,415	₩ 912,677
Dividend income	-	79,200
Gain on foreign currency transaction	241,896	845,877
Gain on foreign currency translation	135,535	2,154
Gain on valuation of derivatives	-	395,769
Gain on valuation of financial assets	6,449,835	69,413
	<u>₩ 8,834,681</u>	<u>₩ 2,305,090</u>

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Details of finance costs for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Interest expense	₩ 3,609,060	₩ 829,065
Loss on foreign currency transaction	210,888	170,993
Loss on foreign currency translation	68,463	586,305
Loss on valuation of derivatives	1,853,009	-
	<u>₩ 5,741,420</u>	<u>₩ 1,586,363</u>

33. Tax Expense

Income tax expense for the years ended December 31, 2023 and 2022, consists of:

<i>(in thousands of Korean won)</i>	2023	2022
Current tax on profits for the year	₩ 2,157,147	₩ 3,979,260
Adjustments in respect of prior years	(310,401)	(3,405,328)
Impact of changes in Korean tax rate	-	2,108,562
Deferred tax due to temporary differences	(1,048,694)	2,598,253
Income tax expense	<u>₩ 798,050</u>	<u>₩ 5,280,747</u>

The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Deferred tax		
Remeasurements of net defined benefit liability	₩ (131,093)	₩ (205,064)
Equity instruments at fair value through other comprehensive income	80,228	378,406
	<u>₩ (50,865)</u>	<u>₩ 173,342</u>

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Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Profit before income tax expense	₩	34,347,263	₩	47,247,527
Income tax based on statutory tax rate		7,472,217		10,971,902
Adjustments:				
Non-taxable income		(1,537,143)		(5,799)
Non-deductible expense		224,582		316,283
Impact of changes in Korean tax rate		-		2,108,562
Effect of difference in tax rate applied to equity method investments and others		(1,866,298)		(1,994,276)
Tax credits carried forward		-		1,025,717
Adjustments in respect of prior years		(310,401)		(3,405,328)
Tax credit		(2,602,362)		(3,727,131)
Others		(582,545)		(9,183)
Income tax expense	₩	798,050	₩	5,280,747
Effective tax rate		2.32%		11.18%

Changes in deferred tax assets and liabilities for the temporary differences for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023				
	Increase (decrease)				Ending balance
	Beginning balance	Profit or loss	Other comprehensive income		
Accrued revenues	₩ (51,125)	₩ 34,388	₩ -	₩	(16,737)
Equity method investments	(11,955,752)	833,360	-		(11,122,392)
Plan assets	(889,228)	(68,718)	12,579		(945,367)
Property, plant and equipment	2,482,192	1,031,285	-		3,513,477
Inventories	37,543	(22,142)	-		15,401
Intangible assets	10,532	(10,418)	-		114
Annual leave payable	272,142	25,300	-		297,442
Defined benefit obligations	3,052,140	580,490	(143,672)		3,488,958
Long-term employee benefits	331,800	(12,344)	-		319,456
Allowance for doubtful account	67,632	(6,780)	-		60,852
Share-based payment expenses	299,094	(299,094)	-		-
Derivatives	(86,278)	829,264	-		742,986
Measured at fair value through profit or loss	(15,132)	(1,826,310)	-		(1,841,442)

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Measured at fair value through other comprehensive income	51,611	(131,840)	80,228	-
Right-of-use assets	(134,652)	1,858	-	(132,794)
Lease liabilities	136,781	(1,546)	-	135,235
Others	(22,264)	91,941	-	69,677
	<u>₩ (6,412,964)</u>	<u>₩ 1,048,694</u>	<u>₩ (50,865)</u>	<u>₩ (5,415,134)</u>

(in thousands of
Korean won)

2022				
	Beginning balance	Increase (decrease)		Ending balance
		Profit or loss	Other comprehensive income	
Accrued revenues	₩ (12,175)	₩ (38,950)	₩ -	₩ (51,125)
Equity method investments	(7,948,214)	(4,007,538)	-	(11,955,752)
Plan assets	(661,304)	(237,314)	9,390	(889,228)
Property, plant and equipment	1,814,198	667,994	-	2,482,192
Inventories	54,240	(16,697)	-	37,543
Intangible assets	10,629	(97)	-	10,532
Annual leave payable	240,385	31,757	-	272,142
Defined benefit obligations	2,912,631	353,963	(214,454)	3,052,140
Long-term employee benefits	286,871	44,929	-	331,800
Allowance for doubtful account	94,816	(27,184)	-	67,632
Share-based payment expenses	621,858	(322,764)	-	299,094
Derivatives	-	(86,278)	-	(86,278)
Measured at fair value through profit or loss	-	(15,132)	-	(15,132)
Measured at fair value through other comprehensive income	(326,795)	-	378,406	51,611
Right-of-use assets	(137,126)	2,474	-	(134,652)
Lease liabilities	139,703	(2,922)	-	136,781
Others	9,062	(31,326)	-	(22,264)
Tax credits	1,025,718	(1,025,718)	-	-
	<u>₩ (1,875,503)</u>	<u>₩ (4,710,803)</u>	<u>₩ 173,342</u>	<u>₩ (6,412,964)</u>

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Details of unrecognized deductible temporary differences as deferred tax assets as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022	Remarks
Interests in subsidiary ¹	₩ 33,637,742	₩ 34,263,186	No plan for disposal

¹ The Company did not recognize deferred tax assets for temporary differences associated with investments in subsidiaries, which would not be reversed in the foreseeable future through disposal of the investments.

The analysis of deferred tax assets and liabilities as at December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 7,876,384	₩ 6,780,435
Deferred tax asset to be recovered within 12 months	1,168,401	412,499
	<u>9,044,785</u>	<u>7,192,934</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(12,208,934)	(12,979,632)
Deferred tax liability to be recovered within 12 months	(2,250,985)	(626,266)
	<u>(14,459,919)</u>	<u>(13,605,898)</u>
Deferred tax liabilities, net	<u>₩ (5,415,134)</u>	<u>₩ (6,412,964)</u>

34. Earnings per Shares

Details of the calculation of basic earnings per shares for the years ended December 31, 2023 and 2022, are as follows:

<i>(in Korean won and in number of shares)</i>	2023	2022
Profit attributable to ordinary shares	₩ 33,549,212,836	₩ 41,966,780,348
Weighted average number of ordinary shares outstanding	<u>10,184,207</u>	<u>9,962,286</u>
Basic earnings per share	<u>₩ 3,294</u>	<u>₩ 4,213</u>

Basic earnings per share is identical to diluted earnings per share as there is no dilutive effect for the years ended December 31, 2023 and 2022.

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35. Cash Flows

(a) Cash generated from operations

(in thousands of Korean won)

	2023		2022	
Profit	₩	33,549,213	₩	41,966,780
Adjustments for:				
Interest expense		3,609,060		829,065
Loss on foreign currency translation		68,463		586,304
Post-employment benefits (defined benefit plan)		3,307,335		3,189,535
Depreciation		15,812,768		15,803,027
Loss on disposal of property, plant and equipment		233		275,049
Loss on disposal of intangible assets		-		330
Amortization		147,779		183,537
Share-based payment expenses		310,075		(1,170,635)
Income tax expense		798,050		5,280,747
Bad debt expenses (reversal)		(53,966)		(73,267)
Interest income		(2,007,415)		(912,677)
Gain on foreign currency translation		(135,535)		(2,154)
Loss on valuation of inventories (reversal)		5,219		(74,332)
Gain on disposal of property, plant and equipment		(351,823)		(38,939)
Gain on disposal of intangible assets		(210,818)		-
Profits (losses) of associates and joint ventures		(14,271,136)		(19,155,555)
Gain on valuation of financial assets at fair value through profit or loss		(6,449,835)		(69,413)
Gain on valuation of derivatives		-		(395,769)
Loss on valuation of derivatives		1,853,009		-
Dividend income		-		(79,200)
Loss on disposal of assets held for sale		177,411		-
Others		277,383		294,486
Changes in assets and liabilities due to operating activities:				
Trade receivables		2,673,629		(3,597,750)
Other receivables		(626,677)		247,531
Other current assets		125,622		171,980
Inventories		(686,751)		157,847
Trade payables		(1,018,408)		434,754
Other payables		(2,423,948)		3,757,740
Other liabilities		(2,825,251)		15,387
Benefit payments		(400,782)		(1,627,956)
Transfer from affiliates		111,541		129,776
Contribution to plan assets		(1,100,000)		(1,100,000)

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Cash generated from operations	₩	30,264,445	₩	45,026,228
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(b) Significant transactions not affecting cash flows

<i>(in thousands of Korean won)</i>		2023		2022
Reclassification of financial assets at fair value through other comprehensive income	₩	(368,020)	₩	(1,722,178)
Reclassification of losses on disposal of financial assets at fair value through other comprehensive income		133,000		-
Increase in share of other comprehensive income of associates		1,493,727		1,830,646
Reclassification of current portion of long-term borrowings		1,250,000		-
Transfer of construction-in-process to property, plant and equipment		1,688,900		1,034,868
Reclassification of current portion of long-term loans		439,540		25,289
Reclassification of in non-trade payables related to acquisition of property, plant and equipment and intangible assets		175,428		78,296
Acquisition of right-of-use assets		531,984		372,111
Government grants received		58,270		58,964
Reclassification of assets held for sale to investments in subsidiaries		11,090,126		-

(c) Changes in liabilities arising from financing activities

Changes in liabilities arising from financial activities for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023			
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Short-term borrowings	₩ 22,600,000	₩ 10,000,000	₩ -	₩ 32,600,000
Long-term borrowings	-	70,000,000	(1,250,000)	68,750,000
Current portion of long-term liabilities	-	-	1,250,000	1,250,000
Lease liabilities	627,436	(457,583)	453,348	623,201
Deposits received	338,925	79,235	-	418,160
	₩ 23,566,361	₩ 79,621,652	₩ 453,348	₩ 103,641,361

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(in thousands of Korean won)

	2022			
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Borrowings	₩ 31,600,000	₩ (9,000,000)	₩ -	₩ 22,600,000
Lease liabilities	635,013	(394,448)	386,871	627,436
Deposits received	907,000	(568,075)	-	338,925
	<u>₩ 33,142,013</u>	<u>₩ (9,962,523)</u>	<u>₩ 386,871</u>	<u>₩ 23,566,361</u>

36. Contingent Liabilities and Commitments

Payment guarantees provided by others

Details of payment guarantees provided by others as at December 31, 2023, are as follows:

(in thousands of Korean won)	Guaranteed amount	Guaranteed by	Remarks
Seoul guarantee insurance company	₩ 300,000	Pyeongtaek Customs Co.	Guarantees for payments of customs
Seoul guarantee insurance company	74,300	Samchully Co., Ltd	Guarantees for payments of city gas usage and others
Seoul guarantee insurance company	3,383	Korea Employment Agency for Persons with Disabilities	Payment guarantee for the return of auxiliary engineering device subsidies for the disabled
Seoul guarantee insurance company	244,645	KOREA TECHNOLOGY AND INFORMATION PROMOTION AGENCY	Payment guarantee for the return of agreement of subsidy for national support business
Seoul guarantee insurance company	873,000	Korea Environment Corporation	Payment guarantee for the return subsidy from government and local government

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Payment guaranteed provided by the Company

Details of payment guarantees provided by the Company as at December 31, 2023, are as follows:

(in USD)

	Guaranteed amount		Amount used		Guaranteed by	Remarks
KoMiCo Technology Singapore Pte. Ltd.	USD	9,600,000	USD	6,000,000	Citibank Korea Inc.	Guarantees for borrowings
KoMiCo Technology Singapore Pte. Ltd.	USD	1,750,000	USD	1,750,000	The Export-Import Bank of Korea	Guarantees for borrowings
KoMiCo Technology Taiwan Ltd.	USD	8,400,000	TWD	27,000,000	Citibank Korea Inc.	Guarantees for borrowings
KoMico Equipment Parts Shenzehn Co Ltd	USD	9,600,000	CNY	-	Citibank Korea Inc.	Guarantees for borrowings
KOMICO HILLSBORO LLC	USD	18,000,000	USD	15,000,000	KDB	Guarantees for borrowings
KoMiCo Technology Inc	USD	30,000,000	USD	-	Citibank Korea Inc.	Guarantees for borrowings

As at December 31, 2023, the balance of financial guarantee liabilities recognized by the Company in respect of the above payment guarantee is ₩ 10,018 million (2022: ₩ 8,463 million) (Note 20).

The Company has entered into a technology supply agreement with subsidiaries of the Company. According to the agreement, a certain percentage of sales of each subsidiary is received, and this is recognized as royalty income in other income.

Significant agreements which the Company has entered into with financial institution and others as at December 31, 2023, are as follows:

(in thousands of Korean won)

	Commitments	Limit amount	Amount used
Kookmin Bank	Loans for operating funds	₩ 7,600,000	₩ 7,600,000
Shinhan Bank	Loans for operating funds	₩ 5,000,000	₩ 5,000,000
Kookmin Bank	Loans for facility funds	₩ 30,000,000	₩ 30,000,000
Kookmin Bank	Loans for facility funds	₩ 10,000,000	₩ 10,000,000
Citibank Korea Inc.	Loans for operating funds / Swap-linked loan	₩ 20,000,000	₩ 20,000,000
Shinhan Bank	Loans for operating funds	₩ 20,000,000	₩ 20,000,000
KDB	Loans for operating funds	₩ 10,000,000	₩ 10,000,000

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37. Related Party Transaction

Details of the companies that have a controlling or subsidiary relationship with the Company as at December 31, 2023 and 2022, are as follows.

Type	2023	2022	Remark
Parent Company	MiCo Ltd.	MiCo Ltd.	
Subsidiaries	KoMiCo Technology Inc	KoMiCo Technology Inc	
	KoMiCo Technology (Wuxi) Ltd.	KoMiCo Technology (Wuxi) Ltd.	
	KoMiCo Technology Taiwan Ltd.	KoMiCo Technology Taiwan Ltd.	
	KoMiCo Technology Singapore Pte. Ltd.	KoMiCo Technology Singapore Pte. Ltd.	
	KoMiCo Equipment Parts Shenzhen Co.,Ltd	KoMiCo Equipment Parts Shenzhen Co.,Ltd	KTW holds 100%
	KOMICO HILLSBORO LLC	KOMICO HILLSBORO LLC	KTI holds 100%
	KOMICO PHOENIX LLC	KOMICO PHOENIX LLC	KTI holds 100%
	MiCoCeramics Ltd. ¹	-	Newly included in a subsidiary of the Company by acquiring the shares in 2023
Other related parties	-	MiCoCeramics Ltd. ¹	Established by split-off of the Parent Company
	MiCoPower Ltd.	MiCoPower Ltd.	Established by split-off of the Parent Company
	Micohightech (formerly, SAMYANG CERATECH CO.LTD)	-	A subsidiary of the Parent Company
	MiCo BioMed Co., Ltd.	MiCo BioMed Co., Ltd.	An associate of the Parent Company
	COMA Technology Co., Ltd.	COMA Technology Co., Ltd.	An associate of subsidiary of the Group
	SPECLIPSE,INC.	SPECLIPSE,INC.	An associate of the Parent Company
	Specclipse Inc.	Specclipse Inc.	An associate of the Parent Company
	Specclipse Austrailia Pyt Ltd	Specclipse Austrailia Pyt Ltd	An associate of the Parent Company
	Specclipse EuropeGmbH	Specclipse EuropeGmbH	An associate of the Parent Company
	MiCo Networks Co.,Ltd.	MiCo Networks Co.,Ltd.	An entity controlled by key management personnel of the Parent Company
	-	ELEECHIJEILHOSAMO INVESTMENT LIMITED PARTNERSHIP ²	An associate of the Parent Company (disposed of shares in 2023)
	-	H No. 1 Investment Purpose Co., Ltd. ²	An associate of the Parent Company

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		(disposed of shares in 2023)
-	HYUNDAI HEAVY INDUSTRIES POWER SYSTEMS CO.,LTD. ²	An associate of the Parent Company (disposed of shares in 2023)
-	Yantai Hyundai Heavy Industries Co., LTD. ²	An associate of the Parent Company (disposed of shares in 2023)
MICOBIONED USA, Inc	MICOBIONED USA, Inc	An associate of the Parent Company
MICO INTERNATIONAL BRAZIL EMPREENDIMENTOS E PARTICIPACOES LTDA	MICO INTERNATIONAL BRAZIL EMPREENDIMENTOS E PARTICIPACOES LTDA	An associate of the Parent Company
PT. MICO BIOMED INDONESIA	PT. MICO BIOMED INDONESIA	An associate of the Parent Company
MICOBIO INDIAPRIVATE LIMITED.	MICOBIO INDIAPRIVATE LIMITED.	An associate of the Parent Company
Call medical	Call medical	An associate of the Parent Company
-	MICO IVD HOLDINGS, LLC (USA) ³	A subsidiary of the Parent Company (disposed of shares in 2023)
-	Trinity Biotech, PLC. ³	An associate of the Parent Company (disposed of shares in 2023)
MiCo NTH Investment LLC	MiCo NTH Investment LLC	An associate of the Parent Company
New Target Health,Inc.	New Target Health,Inc.	An associate of the Parent Company
Target Health, LLC	Target Health, LLC	An associate of the Parent Company

¹ On July 1, 2023, as a deemed acquisition date, the Company has obtained controls over MiCoCeramics Ltd. by acquiring 2,605,639 ordinary shares (percentage of ownership: 47.84%) of MiCoCeramics Ltd. held by MiCo Ltd., the Parent Company.

² MiCo Ltd., the Parent Company, disposed of its shares of ELEECHIJEILHOSAMO INVESTMENT LIMITED PARTNERSHIP, an associate, on November 30, 2023, accordingly, it was excluded from the related parties. Also, its associates, H No. 1 Investment Purpose Co., Ltd., Hyundai Heavy Industries Power Systems Co., LTD., and Yantai Hyundai Heavy Industries Co., LTD. were excluded from the related parties.

³ MiCo Ltd., the Parent Company, disposed of its shares of MICO IVD HOLDINGS, LLC, a subsidiary, on December 21, 2023, accordingly, it was excluded from the related parties. Also, its associate, Trinity Biotech PLC, was also excluded from the related parties.

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Sales and purchases with related parties for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

(in thousands of Korean won)		2023							
Type	Name of entity	Sales	Purchase	Disposal of assets	Other income	Other expense	Acquisition of right-of-use assets		
Parent company	MiCo Ltd. ¹	₩ 478	₩ 8,827,691	₩ -	₩ 85,718	₩ 897,641	₩ 21,073		
Subsidiaries	KoMiCo Technology Inc	3,567,260	53,734	171,509	2,392,745	9,837	-		
	KoMiCo Technology Taiwan Ltd.	1,124,920	588	-	1,002,221	23,891	-		
	KoMiCo Technology (Wuxi) Ltd.	1,208,883	2,754	-	1,456,553	15,817	-		
	KoMiCo Technology Singapore Pte. Ltd.	430,750	-	-	379,386	-	-		
	KoMiCo Equipment Parts Shenzhen Co.,Ltd	441,409	-	-	289,884	-	-		
	KoMiCo Hillsboro LLC	133,681	-	-	343,436	130,329	-		
	MiCoCeramics Ltd	538,340	6,337	-	725,996	102,263	-		
Other related parties	MiCoCeramics Ltd. ²	542,990	6,340	-	738,518	63,196	-		
	COMA Technology Co., Ltd.	1,260	13,365	-	-	-	-		
	MiCoPower Ltd.	-	-	-	1,538,690	-	-		
		₩ 7,989,971	₩ 8,910,809	₩ 171,509	₩ 8,953,147	₩ 1,242,974	₩ 21,073		

¹ On May 30, 2023, the Company entered into a share purchase agreement to purchase 2,605,639 ordinary shares (percentage of ownership: 47.84%) of MiCoCeramics Ltd. held by MiCo Ltd., the Parent Company. The Company paid cash, assets and liabilities of the advanced materials division and 507,614 ordinary shares of MiCo BioMed Co., Ltd. as consideration paid, and the transaction was terminated on July 3, 2023 (deemed acquisition date: July 1, 2023), accordingly, the Company has obtained controls over MiCoCeramics Ltd. (Note 13).

² The amounts are before acquisition of shares (deemed acquisition date: July 1, 2023).

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(in thousands of Korean won)

2022

Type	Name of entity	Sales	Purchase	Disposal of assets	Other income	Other expense	Acquisition of right-of-use assets
Parent company	MiCo Ltd.	₩ -	₩ 9,506,357	₩ 4,000	₩ 128,751	₩ 1,259,350	₩ 21,371
Subsidiaries	KoMiCo Technology Inc	2,423,666	164,480	-	2,448,946	-	-
	KoMiCo Technology Taiwan Ltd.	4,164,402	5,871	10,384	1,320,269	2,215	-
	KoMiCo Technology (Wuxi) Ltd.	2,330,561	-	-	2,011,678	25,809	-
	KoMiCo Technology Singapore Pte. Ltd.	1,019,282	98,010	10,103	391,163	-	-
	KoMiCo Equipment Parts Shenzhen Co.,Ltd	3,781	-	-	572,741	20,702	-
	KoMiCo Hillsboro LLC	34,901	-	-	349,716	-	-
	MiCo BioMed Co., Ltd.	-	-	-	3,854	2,490	-
Other related parties	MiCoCeramics Ltd.	2,088,620	7,830	-	1,287,646	33,129	-
	COMA Technology Co., Ltd.	1,000	3,310	-	-	-	-
	MiCoPower Ltd.	-	-	-	1,003,393	3,232	-
		₩ 12,066,213	₩ 9,785,858	₩ 24,487	₩ 9,518,157	₩ 1,346,927	₩ 21,371

Outstanding balances arising from sales/purchases of goods and services as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

2023

Type	Name of entity	Receivables		Payables	
		Trade receivables	Other receivables	Trade payables	Other payables
Parent company	MiCo Ltd.	₩ -	₩ 19,048	₩ 730,008	₩ 74,840
Subsidiaries	KoMiCo Technology Inc	138,753	549,610	554	-
	KoMiCo Technology Taiwan Ltd.	35,532	218,148	187	153,439
	KoMiCo Technology (Wuxi) Ltd.	302,006	671,449	-	-
	KoMiCo Technology Singapore Pte. Ltd.	30,020	89,517	-	-
	KoMiCo Equipment Parts Shenzhen Co.,Ltd	-	111,954	-	-
	KOMICO HILLSBORO LLC	9,586	1,887,174	-	11,106
	MiCoCeramics Ltd.	149,963	144,885	-	194,434
Other related party	MiCoPower Ltd.	-	406,303	-	252,290
		₩ 665,860	₩ 4,098,088	₩ 730,749	₩ 686,109

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(in thousands of Korean won)

Type	Name of entity	2022			
		Receivables		Payables	
		Trade receivables	Other receivables	Trade payables	Other payables
Parent company	MiCo Ltd.	₩ -	₩ 19,346	₩ 1,177,033	₩ 85,009
Subsidiaries	KoMiCo Technology Inc	705,817	607,821	3,765	-
	KoMiCo Technology Taiwan Ltd.	92,585	335,512	-	-
	KoMiCo Technology (Wuxi) Ltd.	506,791	427,352	-	-
	KoMiCo Technology Singapore Pte. Ltd.	34,903	92,312	95,969	-
	KoMiCo Equipment Parts Shenzhen Co., Ltd	-	67,670	-	-
	KOMICO HILLSBORO LLC	8,376	44,341	-	-
	MiCoCeramics Ltd.	114,741	133,199	-	80,035
Other related parties	COMA Technology Co., Ltd.	-	-	825	-
	MiCoPower Ltd.	-	97,028	-	252,290
		₩ 1,463,213	₩ 1,824,581	₩ 1,277,592	₩ 417,334

Significant fund transactions with related parties for the year ended December 31, 2023, are as follows:

(in thousands of Korean won)

Type	Name of entity	Line item	2023				
			Loan (borrowing) transactions				
			Beginning	Loans/ Borrowings	Collection/ Repayment	Valuation/ Amortization	Ending
Parent company	MiCo Ltd.	Financial assets at fair value through profit or loss ¹	₩ 17,036,074	₩ -	₩ -	₩ 6,449,835	₩ 23,485,909
	MiCo Ltd.	Financial liabilities at fair value through profit or loss ¹	(1,570,892)	-	-	(1,853,009)	(3,423,901)
			₩ 15,465,182	₩ -	₩ -	₩ 4,596,826	₩ 20,062,008

¹ During the year ended December 31, 2022, the Company acquired exchangeable bonds issued by MiCo Ltd., the Parent Company, which can be exchanged with ordinary shares of Mi Co Ceramics Ltd. Put option of exchangeable bonds is separately recognized as derivative liabilities (Notes 10 and 20).). Meanwhile, the Company notified to MiCo Ltd., the Parent Company, not to exercise the early redemption right of the exchangeable bonds until December 31, 2024.

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(in thousands of Korean won)

Type	Name of entity	Line item	2022						
			Loan (borrowing) transactions						
			Beginning	Loans/ Borrowings	Collection/ Repayment	Valuation/ Amortization	Ending		
Parent company	MiCo Ltd.	Bank deposits ¹	₩ -	₩ 6,208,500	₩ 6,208,500	₩ -	₩ -		
	MiCo Ltd.	Financial assets at fair value through profit or loss ²	-	16,966,660	-	69,413	17,036,074		
	MiCo Ltd.	Financial liabilities at fair value through profit or loss ²	-	(1,966,660)	-	395,769	(1,570,892)		
			₩ -	₩ 21,208,500	₩ 6,208,500	₩ 465,182	₩ 15,465,182		

¹ The Company sold foreign currency deposits of USD 5,000,000 to MiCo Ltd., the Parent Company, at the exchange rate on the date of making a contract.

² During the year ended December 31, 2022, the Company acquired exchangeable bonds issued by MiCo Ltd., the Parent Company, which can be exchanged with ordinary shares of Mi Co Ceramics Ltd. Put option of exchangeable bonds is separately recognized as derivative liabilities (Notes 10 and 20).

During the year ended December 31, 2023, the Company paid dividends amounting to ₩ 3,859,089 thousand (2022: ₩ 2,122,499 thousand) to MiCo Ltd., the Parent Company. A dividend in respect of the year ended December 31, 2022, amounting to ₩ 9,940,569 thousand was paid in April 2023. Meanwhile, the Company received dividends amounting to ₩ 1,769,014 thousand, ₩ 1,172,545 thousand and ₩ 4,514,871 thousand from KoMiCo Technology Inc, KoMiCo Technology Taiwan Ltd. and KoMiCo Technology (Wuxi) Ltd., subsidiaries of the Company, respectively.

On May 30, 2023, the Company entered into a share purchase agreement to purchase 2,605,639 ordinary shares (percentage of ownership: 47.84%) of MiCoCeramics Ltd. held by MiCo Ltd., the Parent Company. The Company paid cash, assets and liabilities of the advanced materials division and 507,614 ordinary shares of MiCo BioMed Co., Ltd. as consideration paid, and the transaction was terminated on July 3, 2023 (deemed acquisition date: July 1, 2023), accordingly, the Company has obtained controls over MiCoCeramics Ltd. Although the Company owns less than 50% of the voting rights of MiCoCeramics Ltd., the Company concluded that the Company controls over the entity, and includes it as a subsidiary, with considering that the potential voting rights of the exchangeable bonds (percentage of ownership: 7.66%), which are exchangeable to ordinary shares of MiCoCeramics Ltd. held by the Company.

MiCo Ltd., the Parent Company, acquired additional 440,237 shares by participating in the Company's capital increase through allocation to a third party during the year ended December 31, 2023.

KoMiCo Ltd.
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December 31, 2023 and 2022

Details of payment guarantees provided to related parties by the Company as at December 31, 2023 and 2022, are as follows. There are no collateral and payment guarantees provided by related parties.

<i>(in USD)</i>	2023			
	Guaranteed amount		Guaranteed by	Remarks
KoMiCo Technology Singapore Pte.LTD	USD	1,750,000	The Export-Import Bank of Korea	Guarantees for borrowings
KoMiCo Technology Singapore Pte.LTD	USD	9,600,000	Citibank Korea Inc.	Guarantees for borrowings
KoMiCo Technology Taiwan Ltd.	USD	8,400,000	Citibank Korea Inc.	Guarantees for borrowings
KoMico Equipment Parts Shenzehn Co Ltd	USD	9,600,000	Citibank Korea Inc.	Guarantees for borrowings
KoMiCo Hillsboro LLC	USD	18,000,000	KDB	Guarantees for borrowings
KoMiCo Technology Inc	USD	30,000,000	Citibank Korea Inc.	Guarantees for borrowings

<i>(in USD)</i>	2022			
	Guaranteed amount		Guaranteed by	Remarks
KoMiCo Technology Singapore Pte.LTD	USD	2,100,000	The Export-Import Bank of Korea	Guarantees for borrowings
KoMiCo Technology Singapore Pte.LTD	USD	7,200,000	Citibank Korea Inc.	Guarantees for borrowings
KoMiCo Technology Taiwan Ltd.	USD	10,800,000	Citibank Korea Inc.	Guarantees for borrowings
KoMiCo Technology (Wuxi) Ltd.	USD	6,150,000	KDB	Guarantees for borrowings
KoMico Equipment Parts Shenzehn Co Ltd	USD	9,600,000	Citibank Korea Inc.	Guarantees for borrowings
KoMiCo Hillsboro LLC	USD	18,000,000	KDB	Guarantees for borrowings
KoMiCo Technology Inc	USD	30,000,000	Citibank Korea Inc.	Guarantees for borrowings

Key management for employee services for the years ended December 31, 2023 and 2022, consists of:

<i>(in thousands of Korean won)</i>	2023		2022	
Long and short-term employee benefits	₩	1,774,484	₩	1,938,399
Post-employment benefits		176,100		121,436
	₩	<u>1,950,584</u>	₩	<u>2,059,835</u>

The above key management includes registered executives who have significant authority and responsibilities on activities, planning, operations and controls of the Company.

KoMiCo Ltd.
Notes to the Separate Financial Statements
December 31, 2023 and 2022

38. Reporting by Segment

The Company management who makes strategic decisions has determined the operating segments. As at December 31, 2023 and 2022, the Company is a single segment, and the information by segment at the company-wide level is as follows.

Information about revenue

<i>(in thousands of Korean won)</i>	2023		2022	
Revenue of merchandises				
Parts	₩	3,676,974	₩	6,395,071
Cleaning		231,113		535,981
Coating		217,889		224,260
Revenue of finished goods				
Cleaning		51,183,232		55,615,382
Coating		71,421,245		81,147,791
Parts		87,725		2,915,438
	₩	<u>126,818,178</u>	₩	<u>146,833,923</u>

Information about key customers

Details of external customers, who contribute more than 10% of the Company's revenue for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i> Type¹	Revenue		Classification
	2023	2022	
A company	₩ 66,190,291	₩ 65,363,942	Merchandises and finished goods
B company	38,741,667	51,687,737	Merchandises and finished goods

¹ Customers under the same control were considered as a single external customer.



**Independent Auditor's Report on
Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
KoMiCo Ltd.

Opinion on Internal Control over Financial Reporting

We have audited KoMiCo Ltd.'s (the Company) Internal Control over Financial Reporting as at December 31, 2023, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2023, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the separate financial statements of the Company, which comprise the separate statement of financial position as at December 31, 2023, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and notes to the separate financial statements including a summary of significant accounting policies, and our report dated March 13, 2023 expressed an unqualified opinion.

Basis for Opinion on Internal Control over Financial Reporting

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibility under these standards are further described in the *Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of internal control over financial reporting and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on the Effectiveness of Internal Control over Financial Reporting*.

Those charged with governance have the responsibilities for overseeing internal control over financial reporting.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our responsibility is to express opinion on the Company's internal control over financial reporting based on our audit. We conducted the audit in accordance with Korean Standards on Auditing. 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.

An 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. An 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 risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity'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 entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely

detection and correction of unauthorized acquisition, use, or disposition of the entity'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 and correct, misstatements. Also, projections of any assessment of effectiveness to 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 auditor's report is Chang-Hoon Lee, Certified Public Accountant.

Samil PricewaterhouseCoopers
Seoul, Korea

March 13, 2024

<p>This report is effective as at March 13, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the Company's internal control over financial reporting thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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**Management's Report on the
Effectiveness of Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

To the Shareholders, Board of Directors and Auditor of
KoMiCo Ltd.

We, as the Chief Executive Officer (CEO) and the Internal Control over Financial Reporting Officer of KoMiCo Ltd. (the Company), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting (ICFR) for the year ended December 31, 2023.

The Company's management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements. We designed and operated ICFR in accordance with Conceptual Framework for Designing and Operating Internal Control over Financial Reporting (when other standards are used, the name) established by the Operating Committee of Internal Control over Financial Reporting in Korea (the ICFR Committee). And, we conducted an evaluation of ICFR based on Best Practice Guidance for Evaluating and Reporting Internal Control over Financial Reporting established by the ICFR Committee.

Based on the assessment results, we believe that the Company's ICFR, as at December 31, 2023, is designed and operated effectively, in all material respects, in accordance with Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.

We certify that this 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 statements which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

February 21, 2024

Yong-Ha Choi,
Chief Executive Officer

Sang-Won Lee,
Internal Control over Financial Reporting Officer