CLASSYS Inc. and its Subsidiaries

Audit Report on Consolidated Financial Statements

The 8th Fiscal Year

From January 1, 2022
To December 31, 2022

The 7th Fiscal Year

From January 1, 2021
To December 31, 2021

Nexia Samduk

Report of Independent Auditors

To the Board of Directors and Stockholders of
CLASSYS Inc. and its Subsidiaries
March 20, 2023

Auditor's Opinion

We have audited the accompanying consolidated financial statements of CLASSYS Inc. and its subsidiaries (hereinafter, the "Consolidated Entity"). The consolidated financial statements consist of the consolidated statements of financial positions as of December 31, 2022, the consolidated statements of comprehensive income, the consolidated statements of change in shareholder's equity, and the consolidated statements of cash flow which ended on the same date above, and notes to the consolidated financial statements including the summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the financial position of the Consolidated Entity as of December 31, 2022, and the consolidated financial performance and cash flow which ended on the same date above in conformity with the K-IFRS.

Basis for Auditor's Opinion

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Our responsibility provided by the standards is stated in the section of auditor's responsibility. We are independent from the Consolidated Entity according to the ethical requirements of the Republic of Korea relating to the audit of the consolidated financial statements and fulfilled other ethical responsibilities according to the requirements. We believe that our audits provide a reasonable basis for our opinion.

Key Audit Matters

Key audit matters are the most significant matters in the financial statements for 2021 according to our professional judgement. These matters were addressed when we developed our opinion from the viewpoint of auditing the entire consolidated financial statements, and we do not provide any separate opinion on the matters.

The Reason for selecting property, plant, and equipment (including investment properties) as a key audit matter and how we respond to it are as follows:

Property, plant, and equipment account for 54% of total assets of the Consolidated Entity and they were selected as a key audit matter since we believed that the classification by purposes of use, evaluation, and calculation of amortization of the assets may have significant impact on the financial statements.

The main audit procedures we conducted include the followings
・Review the appropriateness of accounting policies related to property, plant, and equipment
・Understand and examine internal controls related to the acquisition of property, plant, and

equipment & review the appropriateness of classification of property, plant, and equipment
・Review the consistency between the management's intention to acquire property, plant, and equipment (minutes of the BOD) and documentary evidence such as related contracts, etc.
・Other matters such as checking the register copy to identify the legal relationship such as the ownership of property, plant, and equipment

The Consolidated Entity's consolidated financial statements for the reporting period that ended on December 31, 2021 was audited by Dasan Accounting Corporation and unqualified opinion is presented on the consolidated statements in the auditor's audit report as of March 18, 2022.

The Management and Governance's Responsibility for the Consolidated Financial Statements

The management is responsible for fairly presenting the consolidated financial statements in accordance with the K-IFRS, and also for internal controls determined necessary to prepare the consolidated financial statements without material misstatements whether caused by fraud or errors.

The management is responsible for assessing the Consolidated Entity ability to continue existing as a going concern entity when preparing the consolidated financial statements and for disclosing related matters, if applicable. The management is also responsible for the use of the accounting assumption of a going concern entity unless the management does not intend to file for bankruptcy or cease to operate.

The governance is responsible for auditing the financial reporting procedure of the Consolidated Entity.

The Auditor's Responsibility for the Consolidated Financial Statements

Our purpose is to issue the auditor's report including our opinions by gaining reasonable confidence in the absence of material misstatements caused by fraud or errors in the consolidated financial statements of the Consolidated Entity. Reasonable confidence means the high level of confidence, but the audit conducted according to the auditing standards does not guarantee that material misstatements are always detected. Misstatements may occur due to fraud or errors. The misstatements are considered material if it is reasonably expected to influence individual user's or collective users' financial decision making.

As part of audit according to the auditing standards, we made a professional judgement across the entire auditing process and still have professional skepticism. We also,

· Identify and assess the risk of material misstatements in the consolidated financial statements caused by fraud or errors and design and conduct the audit procedures to deal with the risk. We also obtain sufficient and appropriate evidence as a basis for our opinion. Since fraud may involve conspiracy, forge, intentional omission, false statement, and the incapacitation of internal control, the risk of not detecting material misstatements caused by fraud is more dangerous than that caused by errors.
· Understand audit-related internal control in order to design the appropriate auditing procedures to the situation.

· However, this is not intended to present an opinion on the effectiveness of internal control.
· Evaluate the appropriateness of accounting policies applied by the management to prepare the consolidated financial statements, accounting estimates developed by the management, and the rationality of relevant disclosures.
· Conclude based on the obtained evidence about the appropriateness of the accounting assumption of a going concern entity used by the management and whether there exist any incidents, situations, or related critical uncertainties which may raise a significant question on the ability to continue to exist as a going concern entity. If it is concluded that critical uncertainties exist, we are asked to remind the related disclosures of the consolidated financial statements in the auditor's report and to modify our opinion if these disclosures are inappropriate. Our conclusion is based on evidence obtained until the report date, but future incidents or situations may make the Consolidated Entity to cease to exist as a going concern entity.
· Evaluate overall presentation, structure, and details of the consolidated financial statements including disclosures and whether transactions and incidents which form the basis of the consolidated financial statements are fairly presented in the consolidated financial statements or not.
· Obtain the corporate financial information or sufficient and appropriate audit evidence related to the business activities within the group in order to present an opinion on the consolidated financial statement. We are responsible for the direction, supervision, and performance of auditing the group and take full responsibility for the auditor's opinion.

We communicate with the governance on significant audit findings such as and the planned scope and period of audit and the significant deficiencies of internal control identified during the audit above all things.

We also comply with independence-related ethical requirements and provide the governance with the statement that all relationships and other matters believed to be related to our independence and related institutional safe measures, if applicable.

We selected the most significant matters in the consolidated financial statements for the current year as key highlights out of those subject to communication with the governance. We provide our opinion on these matters in the audit report, unless laws and regulations preclude public disclosure of the relevant matters or in extremely rare circumstances, the relevant matters should not be stated in the audit report since it is reasonably anticipated that the negative consequences of our description of the relevant matters in the audit report outweigh public benefits.

Na Hyung-seok is an engagement partner who conducted an audit that supports the audit report.

Myung-Chul Kim
CEO of Nexia Samduk and CPA
48, Ujeongguk-ro, Jongno-gu, Seoul, Republic of Korea

March 20, 2023

Report of independent auditors is effective as of the auditor's report date. Accordingly, certain materials events or circumstances may have occurred during the period from the auditor's report date to the time this audit report issue. Such events and circumstances could significantly affect the financial statements and may result in modifications to this report.

Consolidated Financial Statements
(Accompanying)

CLASSYS Inc. and its Subsidiaries

The 8th Fiscal Year

From January 1, 2022
To December 31, 2022

The 7th Fiscal Year

From January 1, 2021
To December 31, 2021

"The attached consolidated financial statements are prepared by CLASSYS Inc."

CEO of CLASSYS Inc. Seung Han Baek

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Consolidated Statements of Financial Position

The 8th fiscal year As of Dec. 31, 2022
The 7th fiscal year As of Dec. 31, 2021
The 6th fiscal year As of Dec. 31, 2020

CLASSYS Inc. and its Subsidiaries (Unit: won)

		2022	2021
Assets			
Current assets		147,788,690,727	73,140,020,626
Cash and cash equivalents	4,6,35,36	26,004,485,440	42,788,254,096
Short-term financial instruments	4,35,36	65,377,445,900	
Financial assets measured at fair value through profit or loss	4,35,36	20,198,635,245	5,125,081,461
Accounts receivable and other receivables	4,8,27,35,36	8,003,983,210	2,115,901,774
Inventories	11,27	23,397,666,986	16,465,363,683
Other financial assets	4,9,35,36	2,076,639,142	905,863,455
Other current assets	10	2,705,307,480	5,715,120,631
Current tax assets	33	24,527,324	24,435,526
Non-current assets		183,622,417,572	143,239,184,710
Long-term financial instruments	4,35,36	331,655,306	297,207,558
Property, plant, and equipment	5,12,39	104,241,594,590	80,704,632,923
Intangible assets	5,14,39	1,478,369,574	1,123,998,104
Investment properties	13,37	74,654,142,444	58,418,164,117
Other non-current financial assets	4,9,35,36	1,038,003,840	1,894,438,860
Right-of-use assets	37	1,090,644,081	800,743,148
Deferred tax assets	33	788,007,737	
Total assets		331,411,108,299	216,379,205,336
Liabilities			
Current liabilities		36,225,225,302	16,793,038,427
Accounts payable and other payables	4,15,35,36	2,124,969,047	1,762,682,479
Current portion of long-term borrowings	16	2,400,000,000	
Current tax liabilities	33	18,158,545,452	5,965,653,812
Other financial liabilities	4,17,35,36	5,465,274,676	980,208,015
Other current liabilities	18	6,293,182,762	6,742,818,342
Current provisions	19	1,225,950,125	827,521,251
Lease liabilities	4,35,36,37,39	557,303,240	514,154,528
Non-current liabilities		65,632,025,837	35,841,735,557
Long-term borrowings	16	64,400,000,000	35,000,000,000
Other non-current financial liabilities	4,17,35,36	690,712,000	178,000,000
Non-current lease liabilities	4,35,36,37,39	541,313,837	291,450,457
Deferred tax liabilities	33		372,285,100

Total liabilities		101,857,251,139	52,634,773,984
Shareholder's equity			
Equity attributable to shareholders of the parent company		229,553,857,160	163,744,431,352
Capital stock	20	6,477,670,200	6,471,686,400
Capital surplus	21	24,229,755,029	24,122,104,354
Capital adjustments	23	(5,421,976,100)	4,789,153
Accumulated other comprehensive income (loss)	22	38,081,537	22,859,175
Retained earnings	24	204,230,326,494	133,122,992,270
Total shareholders' equity		229,553,857,160	163,744,431,352
Total shareholders' equity and liabilities		331,411,108,299	216,379,205,336

Consolidated Statements of Comprehensive Income

The 8th fiscal year: From Jan. 1 to Dec. 31, 2022

The 7th fiscal year: From Jan. 1 to Dec. 31, 2021

The 6th fiscal year: From Jan. 1 to Dec. 31, 2020

CLASSYS Inc. and its Subsidiaries (Unit: won)

	Note	2022	2021
Sales	5,27	141,803,242,402	100,596,935,574
Cost of sales sold	26,27	33,636,218,547	22,744,271,711
Gross profit		108,167,023,855	77,852,663,863
Selling and administrative expenses	28,29,30	39,290,816,397	26,139,943,465
Operating profit		68,876,207,458	51,712,720,398
Financial income	31	2,584,120,029	4,211,433,763
Financial expense	31	4,675,705,739	367,148,616
Other income	32	30,374,149,233	214,610,833
Other expenses	32	400,334,309	147,027,685
Income before income taxes		96,758,436,672	55,624,588,693
Income tax expense	33	21,379,789,424	11,819,912,311
Net income (loss)		75,378,647,248	43,804,676,382
Other comprehensive income (loss)		15,222,362	51,426,381
Items that may be reclassified substantially to current profit or loss (other comprehensive income (loss) after taxes)		15,222,362	51,426,381
Gain (loss) on valuation of financial assets measured at fair value through other comprehensive income (other comprehensive income after taxes)			
Gain (loss) on translation of foreign operations	22	15,222,362	51,426,381
Current gross comprehensive income (loss)		75,393,869,610	43,856,102,763
Net income (loss) attributable to:			
Equity attributable to shareholders of the parent company		75,378,647,248	43,804,676,382
Gross comprehensive income (loss) attributable to:			
Equity attributable to shareholders of the parent company		75,393,869,610	43,856,102,763
Earnings (loss) per share			
Basic earnings per share (unit: won)	25	1,165	677
Diluted earnings per share (unit: won)	25	1,165	676

Consolidated Statements of Change in Shareholder's Equity

The 8th fiscal year: From Jan. 1 to Dec. 31, 2022

The 7th fiscal year: From Jan. 1 to Dec. 31, 2021

The 6th fiscal year: From Jan. 1 to Dec. 31, 2020

CLASSYS Inc. and its Subsidiaries (Unit: won)

	Capital							
	Equity attributable to shareholders of the parent company						Non-controlling interest	Total
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to shareholders of the parent company		
2021.01.01 (Beginning capital)	6,470,916,800	24,108,258,978	5,405,105	(28,567,206)	93,200,865,968	123,756,879,645		123,756,879,645
Net income (loss)					43,804,676,382	43,804,676,382		43,804,676,382
Stock option exercised	769,600	13,845,376	(615,952)			13,999,024		13,999,024
Acquisition of treasury stock								
Dividend payout					(3,882,550,080)	(3,882,550,080)		(3,882,550,080)
Other comprehensive income (loss)				51,426,381		51,426,381		51,426,381
2021.12.31 (Ending capital)	6,471,686,400	24,122,104,354	4,789,153	22,859,175	133,122,992,270	163,744,431,352		163,744,431,352
2022.01.01 (Beginning capital)	6,471,686,400	24,122,104,354	4,789,153	22,859,175	133,122,992,270	163,744,431,352		163,744,431,352
Net income (loss)					75,378,647,248	75,378,647,248		75,378,647,248
Stock option exercised	5,983,800	107,650,675	(4,789,153)			108,845,322		108,845,322
Acquisition of treasury stock			(5,421,976,100)			(5,421,976,100)		(5,421,976,100)
Dividend payout					(4,271,313,024)	(4,271,313,024)		(4,271,313,024)
Other comprehensive income (loss)				15,222,362		15,222,362		15,222,362
2022.12.31 (Ending capital)	6,477,670,200	24,229,755,029	(5,421,976,100)	38,081,537	204,230,326,494	229,553,857,160		229,553,857,160

Consolidated Statements of Cash Flow

The 8th fiscal year: From Jan. 1 to Dec. 31, 2022

The 7th fiscal year: From Jan. 1 to Dec. 31, 2021

The 6th fiscal year: From Jan. 1 to Dec. 31, 2020

CLASSYS Inc. and its Subsidiaries (Unit: won)

	2022	2021
Cash flows from operating activities	54,754,505,368	36,367,042,257
Net income (loss)	75,378,647,248	43,804,676,382
Addition (reduction) to adjust net income	(1,673,811,565)	11,048,673,401
Income tax expenses	21,379,789,424	11,819,912,311
Interest revenues	(772,115,051)	(57,275,421)
Interest expenses	2,609,847,800	93,054,431
Gain on foreign currency translation	(879,061,670)	(3,729,897,054)
Loss on foreign currency translation	1,241,385,965	1,480,020
Gain on valuation of financial assets measured at fair value through profit or loss	(198,635,245)	(164,764,001)
Loss on valuation of financial assets measured at fair value through profit or loss	48,786,354	
Loss on disposition of property, plant, and equipment	51,327,317	31,757,524
Gain on disposition of property, plant, and equipment	(30,338,624,339)	(7,174,849)
Bad debt expenses	19,725,005	(101,199,839)
Warranty expenses	1,159,752,673	513,264,222
Depreciation	3,213,442,385	2,350,218,806
Depreciation of investment properties	523,289,433	65,244,531
Rent and management fee		
Amortization of intangible assets	162,963,417	107,550,911
Loss on valuation of inventories	104,314,967	126,501,816
Miscellaneous gains		(7)
Changes in assets and liabilities resulting from operating activities	(6,422,117,947)	(9,613,329,388)
Decrease (increase) in accounts receivable	(4,927,046,178)	1,433,341,286
Decrease (increase) in other current liabilities	(709,172,357)	43,835,861
Decrease (increase) in other current assets	3,011,181,648	(5,205,359,422)
Decrease (increase) in inventories	(7,786,432,986)	(7,094,042,322)
Increase (decrease) in accounts payable	(557,451,995)	470,566,511
Increase (decrease) in other liabilities	880,399,037	413,372,724
Increase (decrease) in other current liabilities	3,666,404,884	324,955,974
Increase (decrease) in current provisions		
Payment of income taxes	(10,340,797,227)	(8,821,975,758)
Interest received	386,339,364	42,052,051
Interest paid	(2,573,754,505)	(93,054,431)
Cash flows from investing activities	(91,994,852,657)	(92,466,134,619)
Decrease in financial assets measured at fair value through profit or loss	5,076,295,107	

Decrease in long-term loans		500,000,000
Decrease in short-term loans	5,421,976,100	3,240,706,464
Disposition of property, plant, and equipment	60,027,636,362	61,551,000
Decrease in deposit for rent	158,000,000	735,000,000
Decrease in other deposits	1,500,000	300,000
Decrease in long-term financial instruments	105,970,452	
Increase in financial assets measured at fair value through profit or loss	(20,000,000,000)	(4,960,317,460)
Increase in short-term financial instruments	(70,906,844,000)	
Increase in long-term financial assets	(32,996,200)	(21,464,117)
Acquisition of property, plant, and equipment	(27,481,361,335)	(32,627,973,312)
Acquisition of intangible assets	(517,334,887)	(409,686,546)
Acquisition of investment properties	(43,759,576,256)	(58,278,608,648)
Increase in deposit for rent	(80,000,000)	(681,000,000)
Increase in other deposits	(8,118,000)	(24,642,000)
Cash flows from financing activities	21,055,238,698	30,719,729,449
Increase in short-term borrowings		
Increase in long-term borrowings	69,000,000,000	35,000,000,000
Exercise of stock option	108,845,322	13,999,024
Increase in deposit for rent	85,000,000	
Dividend payout	(4,271,313,024)	(3,882,550,080)
Acquisition of treasury stock	(5,421,976,100)	
Repayment of short-term borrowings	(37,200,000,000)	
Repayment of current portion of long-term liabilities		
Repayment of lease liabilities	(618,723,000)	(411,719,495)
Decrease in deposit for rent	(626,594,500)	
Increase (decrease) in cash and cash equivalents	(16,185,108,591)	(25,379,362,913)
Cash and cash equivalents at the beginning of year	42,788,254,096	64,383,495,928
Effect of exchange rate changes on cash and cash equivalents	(598,660,065)	3,784,121,081
Cash and cash equivalents at the end of year	26,004,485,440	42,788,254,096

1. Notes to Consolidated Financial Statements

1. General description

(1) Summary of parent company

CLASSYS Inc. (hereinafter, the "Company") was founded in order to manufacture and sell medical devices for skin care. The Company was established on January 10, 2007, and has a head office in Seoul, Republic of Korea.

For listing on the KOSDAQ, the Company singed a merger agreement with KTB Special Purpose Acquisition Company 2 Co., Ltd. On July 13, 2017, and completed the registration of the merger on December 13, 2017. KTB Special Purpose Acquisition Company 2 Co., Ltd. (acquiring company) merged with CLASSYS (acquired company) and the company name after the merger is changed to CLASSYS Inc.

The total number of shares to be issued by the Company in accordance with the Articles of Incorporation is 100,000,000 shares (100 won per share) and the capital stock as of December 31, 2022, is 6,477,670 thousand won (number of shares issued: 64,776,702 shares).

Meanwhile, the status of stockholders as of the reporting period end date is as follows.

(Unit: share, %)

Shareholders	End of 2022		End of 2021	
	No. of shares	Share ratio	No. of shares	Share ratio
BCPE CENTUR INVESTMENTS, LP	39,407,057	60.8	-	-
Sung Jae Jung and related party (*)	8,376,790	12.9	47,840,476	73.9
Treasury stock	367,636	0.6	-	-
Others	16,625,219	25.7	16,876,388	26.1
Total	64,776,702	100.0	64,716,864	100.0

(*) Share ratio for the end of 2022 changed due to the sale of shares during 2022.

(2) Summary of subsidiaries

1) Status

The status of subsidiaries as of the reporting period end date is as follows:

Subsidiaries	Share ratio		Acquisition date	Location	Reporting period end date	Business area	De facto control standard
	End of	End of					

	2022	2021					
Skederm, Inc.	100%	100%	2017.03.17	US	2022.12.31	Cosmetics sales	Wholly owned subsidiary
Skederm Shanghai co., Ltd.	100%	100%	2017.07.20	China	2022.12.31	Cosmetics sales	Wholly owned subsidiary

2) Summary of financial information

The summary of financial information of subsidiaries is as follows.

(Unit: thousand won)

Subsidiaries	End of 2022			End of 2021		
	Assets	Liabilities	Capital	Assets	Liabilities	Capital
Skederm, Inc.	357,650	17,083	340,567	360,488	51,067	309,421
Skederm Shanghai co., Ltd.	378,263	-	378,263	365,273	-	365,273

(Unit: thousand won)

Subsidiaries	2022			2021		
	Sales	Net income (loss)	Gross comprehensive income (loss)	Sales	Net income (loss)	Gross comprehensive income (loss)
Skederm, Inc.	379,593	9,986	9,986	283,182	(5,195)	(5,195)
Skederm Shanghai co., Ltd.	72,436	23,695	23,695	61,155	15,356	15,356

3) The change of consolidated scope

There is no change in consolidated scope during 2022.

2. Important accounting policies

2.1. Consolidated financial statements preparation standards

2.1.1 Established and amended standards adopted by the Consolidated Entity

The Consolidated Entity newly applied the following established and amended corporate accounting standards from the fiscal year that begins on January 1, 2022.

(1) K-IFRS 1103 Business Combinations (Amendment) – Refer to the Conceptual Framework for Financial Reporting

It clearly stipulates that it was amended to refer to the amended conceptual framework for financial reporting about the definitions of assets and liabilities to be recognized upon business combination, but exemptions were added to apply this standard for the liabilities and contingent liabilities included in the scope to which K-IFRS 1037, Contingent Liabilities and Contingent Assets and IFRIC 2121 Contribution are applied. The Consolidated Entity does not expect the amendment above will have a significant impact on the financial statements.

(2) K-IFRS 1016 Property, Plant and Equipment (Amendment) – Proceeds Before Intended Use

It requires a company to recognize the proceeds from the sale of goods produced while the property, plant, and equipment become available in the location and state intended by the management as well as the costs of goods as current profit or loss. It subsequently requires the sales proceeds and the costs of goods included in current profit or loss to be disclosed. The Consolidated Entity does not expect the amendment above will have a significant impact on the financial statements.

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

It clearly stipulates that when indemnifying onerous contracts, the costs to fulfill a contract consist of the incremental costs to fulfill a contract and other costs directly associated with contract fulfillment. The Consolidated Entity does not expect the amendment above will have a significant impact on the financial statements.

(4) K-IFRS 2018-2020 Annual Improvements

There are an amendment in K-IFRS 1109 Financial Instruments that only the commission received or paid between the borrower and the lender are included in the commission related with a '10%' test to derecognize financial liabilities (including the commission paid or received by the borrower or the lender on behalf of other parties) as well as some amendments in K-IFRS 1101 First-time Adoption of K-IFRS of the Corporate Accounting Standards, K-IFRS 1116 Lease, and K-IFRS 1041 Agriculture, Forestry, and Fishery. The Consolidated Entity does not expect the amendment above will have a significant impact on the financial statements.

2.1.2 Established and amended standards not applied by the Consolidated Entity

The Korean International Financial Reporting Standards and Interpretations which were established and published, yet not applied by the Consolidated Entity since the effective date has not arrived as of the end of 2022 are as follows:

(1) K-IFRS 1001 Presentation of Financial Statements (Amendment) – Classification of Liabilities as Current and Non-Current

The classification of liabilities is not affected by the possibility of exercising the right to postpone the settlement of liabilities for more than 12 months after the reporting period, and the liabilities are classified as non-current even though the management intends and expects the liabilities to be settled within 12 months after the reporting period or the liabilities are settled between the end of reporting period and the approval date of the financial statements, if the criteria are satisfied. Moreover, the settlement of liabilities includes the transfer of the entity's own equity instruments, but excludes the cases recognized separately from liabilities as an option to settle with the entity's own instruments in compound financial instruments meets the definition of equity instruments. This amendment becomes effective from the fiscal year starting after January 1, 2023 and early application is allowed. The Consolidated Entity does not expect the amendment above will have a material impact on the financial statements.

(2) K-IFRS 1001 Presentation of Financial Statements (Amendment)

This amendment changed the information of accounting policies to be disclosed from 'significant' accounting policies to 'material' accounting policies and explained the meaning of material accounting policies. This amendment becomes effective from the fiscal year starting after January 1, 2023 and early application is allowed. The Consolidated Entity does not expect the amendment above will have a material impact on the financial statements.

(3) K-IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)

It defines 'accounting estimate' as the monetary amount in the financial statements which is affected by measurement uncertainty and provides the clear example of accounting estimate. If input variables or measurement method are changed due to the acquisition of new information, development of a new situation, or accumulation of additional experience, this is a change of accounting estimate, if not the correction of previous year's error. This amendment becomes effective from the fiscal year starting after January 1, 2023 and early application is allowed. The Consolidated Entity does not expect the amendment above will have a material impact on the financial statements.

(4) K-IFRS 1012 Income Taxes (Amendment)

It stipulates that deferred tax liabilities and assets are recognized respectively, if the same amount of temporary differences to be added and to be deducted takes place when initially recognizing assets and liabilities in a single transaction by adding the exception rules for the initial recognition of deferred tax. This amendment becomes effective from the fiscal year starting after January 1, 2023, and early application is allowed. 'Deferred income tax related to assets and liabilities arising from a single transaction' applies to the transactions made after the start date of the earliest comparative period. Assets and liabilities are recognized for all temporary differences to be deducted or added related to (1) right-of-use assets and lease liabilities that have already existed on the start date of the earliest comparative period and (2) the after-service and recovery-related liabilities and equivalent amount recognized as part of the cost of assets, and the accumulated effects of initial application are recognized by adjusting the beginning balance of retained earnings (or other components of capital). The Consolidated Entity does not expect the amendment above will have a material impact on the financial statements.

2.2. Accounting policies

The significant accounting policies and calculation methods applied to prepare the financial statements are equal to the accounting policies or calculation method applied to prepare the annual financial statements for the fiscal year ending on December 31, 2021, except the changes made as the established or amended standards in Note 2.1 are applied and the followings explained below.

2.2.1 Consolidation criteria

Subsidiaries are the entities controlled by the Consolidated Entity. The Consolidated Entity controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Consolidated Entity takes into account the potential voting rights it holds as well as potential voting rights other parties hold when evaluating the control over other entities.

The consolidated financial statements are prepared by combining assets, liabilities, equity, profits, expenses, and cash flows of the parent company and subsidiaries by items, offsetting (derecognizing) the parent company's book value of investment assets in each subsidiary and the equity attributable to equity holders of the parent company out of the equity of each subsidiary, and derecognizing all of inter-enterprise transactions within the Consolidated Entity and related assets, liabilities, equity, profits, expenses, and cash flows that occur within the Consolidated Entity. The profits and expenses of subsidiaries are included in the consolidated financial statements for the period from the date when the Consolidated Entity obtains control of the subsidiary until the date when the Consolidated Entity loses control of the subsidiary.

The financial statements of the parent company and subsidiaries used to prepare the consolidated financial statements have the same reporting period end date. If the reporting period end date is different between them, each subsidiary needs to prepare additional financial information that has the same reporting period end date to the financial statements of the parent company in order for the parent company to consolidate the subsidiary's financial information when preparing the consolidated financial statements. If it is however impractical for the subsidiary to apply it, the parent company consolidates the subsidiary's financial information using the subsidiary's latest financial statements that adjusted the impact of significant transactions or events that occurred between the subsidiary's financial statements date and the consolidated financial statements date. In any case, the difference between the subsidiary's financial statements date and the consolidated financial statements date should not exceed three months and the same length of reporting period and the difference of financial statements dates are applied in each period.

If the entity that comprises the Consolidated Entity used accounting policies different from those adopted in the consolidated financial statements on the same transactions and events that occurred in similar situations, the Consolidated Entity prepares the consolidated financial statements by properly adjusting the financial statements to match the accounting policies of the Consolidated Entity.

Non-controlling interests are included in equity, but separately presented from the equity attributable to equity holders of the parent company in the consolidated statements of financial position. Each component of net income or loss and other comprehensive income or loss belong to the owner of the parent company and non-controlling interests, and gross comprehensive income or loss belongs to the owner of the parent company and non-controlling interests even in case of the non-controlling interests having a deficit balance.

The changes in the parent company's interest in the subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with an owner exercising the rights as an owner).

If the parent company loses control of the subsidiary, the assets and liabilities of the former subsidiary are derecognized from the consolidated statements of financial position and any investment retained in the former subsidiary is recognized at its fair value when control is lost. The investment and the amount traded with the former subsidiary are subsequently accounted for in accordance with the related K-IFRS, and the gain or loss associated with the loss of control attributable to the former controlling interest is recognized.

2.2.2 Foreign currency translation

The Consolidated Entity comprises of individual entities that use different functional currencies, and translates business performance and financial position of each entity in Korean won (KRW) which is the functional currency and reporting currency of the parent company to prepare the consolidated financial statements.

(1) Foreign currency transactions

In case of the initial recognition of foreign currency transactions in the functional currency, the spot-exchange rate between the foreign currency and the functional currency of the transaction day is applied and recorded to the foreign currency amount and recorded. Monetary items denominated in foreign currencies on the reporting period end date are translated using the closing rate and non-monetary items denominated in foreign currencies are translated using the exchange rate of the transaction day. Non-monetary items measured at fair value are translated using the exchange rate of the day when the fair value was determined.

The foreign currency differences arising on the settlement of monetary items and the foreign currency differences arising since the exchange rate used to translate monetary items are different from the exchange rate at the time of first recognition during the fiscal year or at the time of currency translation of the financial statements for the preceding year are recognized in profit or loss during the fiscal year when the foreign currency differences occurred. The foreign currency differences where the hedge accounting that meets certain requirements are applied (those effective in hedging out of net investment hedging for foreign operations and those effective in hedging out of foreign currency differences for monetary items equipped with the requirements for cash flow hedges) are reported as other comprehensive income or loss.

For the items for which is not scheduled or unlikely to be paid in a foreseeable future out of the monetary items the Consolidated Entity received from foreign operations or will pay to foreign operations, the foreign currency differences arising from monetary items which is part of net investments for the foreign operations are recognized in other comprehensive income or loss and are reclassified as current profit or loss in the equity at the time of disposal of related net investments.

If profit or loss arising from non-monetary items is recognized in other comprehensive income or loss, the effects of changes in foreign exchange rates included in the profit or loss are also recognized in other comprehensive income or loss. If profit or loss arising from non-monetary items is recognized in current profit of loss, the effects of changes in foreign exchange rates included in the profit or loss are also recognized in current profit or loss.

(2) Currency translation in foreign operations

The Consolidated Entity comprises of individual entities that use different functional currencies (not the currencies of hyperinflationary economies) translates business performance and financial position of each individual entity in the reporting currency of the Consolidated Entity to prepare the consolidated financial statements.

The assets and liabilities in the statements of financial position of foreign operations are translated using the closing rate of the applicable reporting period end date, and the revenues and expenses in the statements of comprehensive income are translated using the average exchange rate for the period. The accumulated foreign currency differences arising from non-controlling interests out of foreign currency differences related to the foreign operations which are not wholly owned by the Consolidated Entity, but included in the Consolidated Entity are allocated and recognized in non-controlling interests in the consolidated statements of financial position.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities are expressed in the functional currency of the foreign operation and translated at the closing rate. The accumulated foreign currency differences related to the foreign operation recognized in equity separately from other comprehensive income or loss are reclassified as current profit or loss in equity at the time of recognizing the gain or loss on disposal of the foreign operation.

(3) Disposal or partial disposal of foreign operations

When a foreign operation is disposed of (including the Consolidated Entity not only disposes all of its shares in the foreign operation, but also loses control over a subsidiary that includes the foreign operation; and the Consolidated Entity loses a material influence on an associate that includes the foreign operation and loses joint control over jointly-controlling entities that include the foreign operation), the accumulated foreign exchange differences related to the foreign operation that recognized it in equity separately from other comprehensive income or loss are reclassified as current profit or loss in equity at the time of recognizing the gain or loss on disposal of the foreign operation, and the accumulated foreign exchange differences related to the foreign operation attributed to non-controlling interests at the time of disposing the associate that includes the foreign operation are derecognized, but not reclassified as current profit of loss.

When an associate that includes a foreign operation is partially disposed of, the proportional share out of the accumulated foreign currency differences recognized in other comprehensive income or loss is reattributed to non-controlling interests of the foreign operation. In this case, only the proportional share out of the accumulated foreign currency differences recognized in other comprehensive income or loss at the time of disposing the foreign operation is reclassified as current profit or loss.

2.2.3 Cash and cash equivalents

The Company classifies cash on hand, demand deposit and the assets that can be easily converted into a fixed amount of cash and is unlikely to fluctuate in value such as short-term investments with high liquidity as cash and cash equivalents. Cash equivalents exclude equity instruments, but include substantial cash equivalents like preferred stock which have a fixed maturity date and a short payback period from the acquisition date. Bank overdraft required to be immediately repaid by request of a bank is included in the component of cash and cash equivalents.

2.2.4 Financial assets

(1) Classification

The Consolidated Entity classifies financial assets into the following categories of measurement.

− Financial assets measured at fair value (changes of fair value are recognized in other comprehensive income or loss or current profit or loss)
− Financial assets measured at amortized cost

Financial assets are classified based on a business model for the management of financial assets and contractual cash flow characteristics.

Profit or loss on financial assets measured at fair value is recognized in current profit or loss or other comprehensive income or loss. Investments in debt instruments are recognized in current profit or loss or other comprehensive income or loss according to the business model under which the financial assets are held. The Consolidated Entity reclassifies debt instruments only when the business model for the management of financial assets is changed.

For equity instruments which are not held for short-term sales, the Consolidated Entity can make an irrevocable choice to designate it as an item that requires the subsequent changes in fair value upon initial recognition to be presented as other comprehensive income or loss. The changes in the fair value of investments in the equity instruments which are not designated as above are recognized in current profit or loss.

(2) Measurement

Financial assets are measured at fair value upon initial recognition. In the case of financial assets which are not measured at fair value through profit or loss, transition costs directly related to the acquisition of the financial asset and the issuance of the financial liability are added to fair value. The transaction costs of financial assets measured at fair value through profit or loss are accounted for as current profit or loss.

For a multiple consumer contract containing embedded derivatives, the Consolidated Entity takes into account the entire terms of the multiple consumer contracts when evaluating if the contractual cash flow consists only of the principal and interest.

① Debt instruments

The subsequent measurement of a financial asset is based on the contractual cash flow characteristics of the financial asset and a business model for the management of the financial asset.

(A) Financial assets measured at amortized cost
If financial assets are held under a business model with the purpose of receiving contractual cash flow and the contractual cash flow consists only of the principal and interest, the financial assets are measured at amortized cost. The profit or loss of financial assets which are not subject to hedging relationship as a financial asset measured at amortized cost are recognized in current profit or loss when derecognizing or impairing the financial asset. The interest revenues of financial assets recognized according to the effective interest rate are included in finance incomes.

(B) Financial assets measured at fair value through other comprehensive income or loss
If financial assets are held under the business model to realize the purpose by both

receiving contractual cash flow and selling financial assets and the contractual cash flow consists only of the principal and interest, the financial assets are measured at fair value through other comprehensive income or loss. Except for impairment loss (subsequent gain), interest revenues, and gain or loss on foreign currency translations, the profit or loss of financial assets measured at fair value through other comprehensive profit or loss are recognized in other comprehensive profit or loss. When derecognizing financial assets, the recognized other comprehensive accumulated profit or loss are reclassified as current profit or loss in equity. The interest revenues of financial assets recognized according to the effective interest rate are included in finance incomes. Gain or loss on foreign currency translations is presented as finance incomes or finance expenses while impairment loss is presented as other expenses.

(C) Debt instruments which are not financial assets measured at amortized cost or fair value through other comprehensive income or loss, are measured at fair value through profit or loss. Profit or loss of debt instruments measured at fair value through profit or loss which are not subject to hedging relationship are recognized in current profit or loss and presented as other income or other expenses in the income statements during the period they occurred.

② Equity instruments

Investments in all equity instruments are subsequently measured at fair value. The amount recognized in other comprehensive income or loss for the equity instrument the Consolidated Entity chose to present the changes in fair value as other comprehensive income or loss are not reclassified as current profit or loss even when derecognizing the equity instrument. The dividends of the equity instrument are recognized in other income in the income statements when the right to receive dividends is confirmed.

The changes in the fair value of financial assets measured at fair value through profit or loss are presented as other income or other expenses in the income statements. Impairment loss (subsequent gain) on equity instruments measured at fair value through other comprehensive income or loss is separately classified and not recognized.

(3) Impairment

The Consolidated Entity evaluates the expected credit loss on debt instruments measured at amortized cost or measured at fair value through other comprehensive income or loss based on future prospects. The way impairment occurs is determined depending on a significant increase in credit risk. However, the Consolidated Entity applies a short-cut method that recognizes expected credit loss for the entire period from initial recognition of receivables to accounts receivable.

(4) Recognition and de-recognition

Standardized selling and buying of financial assets are recognized or derecognized on the date of sale. Financial assets are derecognized in the event of a lapse of the contractual rights to cash flows or the transfer of financial assets and most of risks and rewards of holding the financial assets.

Even if the Consolidated Entity transferred financial assets and if the Consolidated Entity holds most of risks and rewards of holding the financial assets transferred in the form of the right of recourse in the event of a debtor's default, the financial assets are not derecognized and the entire assets transferred continue to be recognized, but the consideration received is recognized in financial liabilities.

(5) Offsetting financial instruments

The financial instruments are offset and presented at net value in the statements of financial position when the Consolidated Entity currently holds the legally enforceable right to offset financial assets and liabilities and pays liabilities or has an intention to pay liabilities at the same time realizing assets. The legally enforceable right to offset is not influenced by future events and means that it shall be enforced during the normal course of business and default and even in the event of insolvency or bankruptcy.

2.2.5 Derivatives

Derivatives are initially measured at fair value of the contract date. Subsequent to initial recognition, derivatives are re-measured at fair value.

(1) Embedded derivatives

Embedded derivatives which comprises the multiple consumer contract that includes a main contract are accounted for as separate derivatives from the main contract if the economic characteristics and risks are not closely related to the economic characteristics and risks of the main contract, the financial instruments having the same conditions to embedded derivatives meet the definition of derivatives, and the changes in the fair value of the multiple consumer contract are not recognized in current profit or loss.

(2) Hedge accounting

The Consolidated Entity applies hedge accounting when a hedging relationship upon the commencement of hedges, hedging purpose, and hedging strategies are officially designated and documented; a high effect of hedging is expected in offsetting the changes in fair value or cash flow caused by the risk of the hedging target; the possibility is high in expected transactions in hedging targets in cash flow hedges and is exposed to the changes in cash flow that ultimately affect current profit or loss; the effect of hedging can be reliably measured; the effect of hedging continues to be evaluated; and it is determined if the effect of hedging is high during the entire financial reporting period designated for hedging.

A hedge accounting recognizes the effect of offsetting gains or losses of the changes in the fair value of hedging instruments and hedged items and classifies them into fair value hedges and cash flow hedges.

(3) Fair value hedges

Fair value hedges are used to mitigate the risk of entire or partial changes in the fair value of recognized assets or liabilities which arise from specific risks and may have influence on current profit or loss or non-recognized firm commitments. The changes in fair value following the re-measurement of derivatives designated as hedging instruments are recognized in current profit or loss, and the profit or loss of hedged items caused by the risk of hedging targets is recognized in current profit or loss by adjusting the book value of hedged items.

If the financial instruments measured at amortized cost using the effective interest rate are hedged items, the adjusted amount of book value is amortized to be recognized in current profit or loss. If the non-recognized firm commitment is designated as a hedged item, the subsequent, accumulated changes in fair value of the firm commitments due to the risk of hedged items are recognized in assets or liabilities and the corresponding gains or losses are recognized in current profit or loss. If the firm commitment that acquires assets and takes over liabilities is a hedged item, the initial book value of the assets and liabilities recognized as a result of fulfilling the firm commitment is adjusted to include the accumulated changes in the fair value of the firm commitment recognized in hedged items in the statements of financial position.

In case of disappearance, sales, termination, and exercise of hedging instruments and if the requirements for the application of hedge accounting are no longer satisfied and the designation as hedging instruments is withdrawn, fair value hedges are prospectively ceased.

(4) Cash flow hedges

Cash flow hedges is used to mitigate the risk of entire or partial changes in the fair value of recognized assets or liabilities which arise from specific risks and may have influence on current profit or loss or the changes in cash flows of transactions which are highly likely to occur. Those effective in mitigating the risk out of gains or losses of hedging instruments are recognized in other comprehensive income or loss and those ineffective in mitigating the risk are recognized in current profit or loss.

If financial assets or financial liabilities are recognized in the future based on expected transactions which are hedged items, the relevant gains or losses recognized in other comprehensive income or loss are reclassified as current profit or loss in the equity item after going through the adjustment of reclassification during the fiscal year when the expected cash flows of hedged items have influence on current profit or loss.

If non-financial assets or non-financial liabilities are recognized in the future based on expected transactions which are hedged items or the expected transactions for non-financial assets or non-financial liabilities become firm commitments that apply fair value hedges, the relevant gains or losses recognized in other comprehensive income or loss are derecognized and the initial cost or book value of relevant assets or liabilities are included.

In case of disappearance, sales, termination, and exercise of hedging instruments and if the requirements for the application of hedge accounting are no longer satisfied and the designation as hedging instruments is withdrawn, the accumulative gains or losses of hedges recognized in other comprehensive income or loss until when the expected transaction takes places are recognized in equity. If the expected transaction is expected to no longer take place, the accumulative gains or losses of hedges recognized in other comprehensive income or loss are recognized in current profit or loss.

2.2.6 Inventories

The acquisition cost of inventories includes the cost of goods purchased, conversion cost, and any costs that attributable to bringing the inventories to the present location and condition, and the unit cost of inventories valued using gross average method (identified cost method for goods not yet delivered).

Inventories are measured using the lower one between acquisition cost and net realizable value. Net realizable value is the amount that deducted the estimated additional cost of completion and selling cots from the estimated selling price in the normal course of business, and the net reliable value is revalued in each subsequent period.

The carrying amount of inventories is recognized in the costs of the period when relevant revenues from selling inventories are recognized. Loss on valuation that reduced inventories to net realizable value and all losses from inventory shrinkage are recognized in the costs of the period when reduction or depletion occurred, and the reversal of a loss on inventory valuation caused by an increase of inventories' net realizable value is recognized as the amount subtracted from value of inventories recognized in the costs during the period when the reversal occurred.

2.2.7 Property, plant, and equipment

Property, plant, and equipment are initially measured at cost. Subsequent to initial recognition, the amount that deducted any accumulated depreciation and any accumulated impairment loss from the acquisition cost is carried at cost. The cost of property, plant, and equipment includes the purchasing price with customs and non-refundable acquisition taxes added and discounts earned and rebates deducted, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management, and the initial estimate of the costs of dismantling and removing the item or restoring the site on which it is located.

Subsequent costs are carried at cost or recognized in a separate asset where appropriate when future economic benefits from the asset are expected to flow to the entity and the cost of the asset can be measured reliably, and the cost arising in relation to the regular repair or maintenance is recognized in current profit or loss at the time of incurrence.

Land among property, plant, and equipment is not depreciated and other property, plant, and equipment are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

Classification	Useful life
Building	40 years
Machinery	5 years
Facilities	5 years

Vehicles	5 years
Tools and equipment	3 years
Fixtures	5 years

If part of costs that comprise property, plant, and equipment is significant compared to the overall costs of property, plant, and equipment for the year, the part is separately depreciated when the depreciation of the tangible asset is performed.

The depreciation methods, useful lives, and residual values of property, plant, and equipment are reviewed at the end of each reporting period and, if it is believed to be appropriate to change them, the items are accounted for as changes in accounting estimates.

The carrying amount of property, plant, and equipment are derecognized if the items are disposed or if no future economic benefits are expected from the items due to use or disposal, and gains or losses on disposal are recognized in current profit or loss at the time when the asset is derecognized.

2.2.8 Investment properties

Property held for the purpose of earning rental income or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost and transaction costs are included in the initial measurement. Subsequent to initial recognition, investment properties are carried at the amount that deducted accumulated depreciation and accumulated impairment loss from the cost.

Subsequent costs are carried at cost or recognized in a separate asset where appropriate only when future economic benefits from the asset are expected to flow to the entity and the cost of the asset can be measured reliably, and the carrying amount reclassified by subsequent expenditures are derecognized. Meanwhile, the cost arising in relation to the regular repair or maintenance is recognized in current profit or loss at the time of incurrence.

Land among investment properties is not depreciated, and other investment properties are depreciated on a straight-line basis that applies 40 years according to economic useful lives. The depreciation methods, useful lives, and residual values of investment properties are reviewed at the end of each reporting period and, if it is believed appropriate to change them, the items are accounted for as changes in accounting estimates.

The carrying amount of investment properties are derecognized from the statements of financial position if the investment properties are disposed or if no future economic benefits are expected from the items even after they are permanently suspended to use or disposed. Gains or losses on de-recognition of the investment properties is determined by comparing the proceeds from disposal with the carrying amount and are recognized in current profit or loss at the time when the investment property is derecognized.

2.2.9 Intangible assets

The Consolidated Entity recognizes intangible assets when future economic benefits from the asset are expected to flow to the entity and the cost of the asset can be measured reliably. Subsequent to initial recognition, the amount that deducted accumulated amortization and accumulated impairment loss from the cost is carried at cost.

(1) Individual acquisition

The costs of individually acquired intangible assets include the purchasing price (with discounts earned and rebates deducted and customs and non-fundable taxes added) and the cost directly related to prepare to use for the intended purpose.

(2) Goodwill

Transfer price, the amount of non-controlling interest in acquire, and the excess amount when the sum of fair value of the interest in acquire previously held by the Consolidated Entity on the acquisition date exceeds the net value of identifiable acquisition assets and assumed liability in case of business combinations that take place step by step are recognized in goodwill.

(3) Acquisition through business combinations

The acquisition cost of intangible assets recognized separately from the goodwill acquired through business combinations is measured at fair value on the acquisition date.

(4) Internally-generated intangible assets

Expenditures arising from research (or the research stage of internal projects) recognized in costs at the time of incurrence, and intangible assets generated during development (or the development stage of internal projects) are recognized only when all of the technical feasibility to complete the asset for the use or sale of intangible assets, the entity's intention to use or sell by completing intangible assets, the entity's ability to use or sell intangible assets, the method in which intangible assets generate future economic benefits, the availability of technical and financial resources necessary to complete the development of intangible assets and to sell or use them, and the entity's ability to reliably measure the expenditures related to intangible assets generated during the development process can be suggested. The costs of internally-generated intangible assets are the sum of expenditures incurred after initially meeting the recognition criteria for intangible assets, and include all the directly-related costs necessary to create, manufacture, and get the intangible assets ready be operated in the way management intends to. Internally-generated goodwill is not recognized in assets.

(5) Useful life and amortization

In case of intangible assets with finite useful life, amortization base is allocated on a straight-line basis over estimated useful lives since the assets become available for use. The amortization base is determined by deducting the residual value. The residual value is set to zero (0) except in the situation that there exists an agreement of a third party to purchase the intangible asset at the time when the useful life expires or there is likely to exist an active market of the intangible asset on which the residual value can be determined based at the time when the useful life expires. Amortization period and method of intangible assets with finite useful life are reviewed at the end of each reporting period, and if it is believed appropriate to change them, the items are accounted for as changes in accounting estimates.

Intangible assets with infinite useful life are not amortized, and examined for impairment by comparing the recoverable amount and the carrying amount at the end of each reporting period or in the presence of indicators of impairment. The relevance of the infinite useful life of intangible assets is reviewed again at the end of each reporting period, and if not appropriate, accounted for as changes in accounting estimates.

Intangible assets are amortized on a straight-line basis over estimated useful lives below.

Classification	Useful life
Trademarks	5 years
Patents	10 years
Design rights	5 years
Software	5 years

(6) De-recognition of intangible assets

Intangible assets are derecognized from the statements of financial position when they are disposed or if no future economic benefits are expected as they are used or disposed. Gains or losses on de-recognition of intangible assets are determined by comparing the proceeds from disposal with the carrying amount and recognized in current profit or loss at the time when the asset is derecognized.

2.2.10 Borrowing costs

The Consolidated Entity capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to get ready for its intended use or sale, as part of the cost of that asset for the year, and other borrowing costs are recognized in costs during the period when they incurred.

To the extent that the Consolidated Entity borrows funds specifically for the purpose of obtaining a qualifying asset, the Consolidated Entity determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the fiscal year less any investment income incurred from the temporary operation of those borrowings. To the extent that the Consolidated Entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Consolidated Entity determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Consolidated Entity that are outstanding during the fiscal year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Consolidated Entity capitalizes during a period does not exceed the amount of borrowing costs incurred that period.

2.2.11 Government subsidies

The Consolidated Entity recognizes government subsidies only when the conditions incidental to government subsidies and there is a reasonable conviction in obtaining the government subsidies, and the benefits of government loans of a below-market interest rate are accounted for as government subsidies.

Revenue-related government subsidies are recognized in profits on a systematic basis over the period necessary to match the related costs for which the grants are intended to compensate. Asset-related government subsidies are presented after deduction when determining the carrying amount of the asset and recognized in current profit or loss by reducing precipitation over the useful life of the depreciable asset. Government subsidies to be received in the form of immediate financial support provided to the Consolidated Entity without compensation for costs or losses already incurred or future related costs are recognized in profits in the period when the right to receive government subsidies occurred. If non-monetary assets are provide as government subsidies, all of the grants and assets are accounted for at their fair values.

Government subsidies that an obligation for repayment arrived are accounted for as changes in accounting estimates.

2.2.12 Lease

A lease is a contract that a lessor transfers the right to control the use of identifiable assets to a lessee for a certain period of time in exchange for consideration. The Consolidated Entity judges whether the contract itself is a lease at the time when an agreement is made and the contract includes a lease.

A lessee and a lessor account for by separating non-lease components (hereinafter, the 'non-lease components') from lease components in a lease agreement or an agreement containing a lease. However, the Consolidated Entity as a lessee account for each lease component and related non-lease components as a single lease component without separating non-lease components from lease components by applying a practical short-cut method in accounting.

(1) Accounting as a lessee

The Consolidated Entity recognizes right-of-use assets (lease assets) that represent the right to use underlying assets on the commencement date of the lease term and lease liabilities that represents the obligation to pay rent.

Right-of-use assets are initially measured at cost and, subsequent to initial recognition, measured by deducting accumulated depreciation and accumulated impairment loss from the cost and reflecting the adjustments made after the re-measurement of lease liabilities. The right-of-use assets are also depreciated for the shorter period between the end date of useful life of the right-of-use asset and the end date of lease period from the lease start date.

Lease liabilities are measured at the current value of rent not paid as of the commencement date of lease. When measuring the current value, the lease payments are discounted using the implied interest rate, but the incremental borrowing interest rate of the Consolidated Entity is used if it is hard to calculate the implied interest rate. Subsequently, lease liabilities increase as much as interest expenses recognized for lease liabilities and decrease as the payment of rent is reflected. Lease liabilities are re-measured if the future lease payments are affected by changes in index or rate (interest rate) and changes in amounts to be paid according to a residual value guarantee, and changes in future lease payments according to the changes in the evaluation of if it is fairly certain to exercise the option to purchase or the option to extend lease or if it is fairly certain not to exercise the option to terminate.

For short-term leases (with the lease period of less than 12 months as of the commencement date of lease) and leases of low-value assets, the expenses for rent are recognized over the lease period on a straight-line basis by selecting an escape clause.

(2) Accounting as a lessor

The accounting of a lessor is significantly changed from accounting policies applied when the annual financial statements for the accounting year ending on December 31, 2021, was developed.

The Consolidated Entity classifies leases that most of risks and rewards for holding the leased assets are transferred on the inception of the lease as financial leases and all other leases except for financial leases as operating leases. Revenues from rent for operating leases are recognized on a straight-line basis over the lease term, and initial direct costs are recognized in cost during the lease term that matches revenues from rent after being added to the carrying amount of the leased asset.

2.2.13 Provisions

Provisions are recognized when the Consolidated Entity has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount spent to settle the obligation.

The amount recognized in provisions is the best estimate for the expenditures spent to settle the present obligation on the reporting period end date. The risks and uncertainties that inevitably surround related events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are estimated at the present value of the expected expenditures required to settle the obligation; the discount rate is the pre-tax interest rate reflecting the current market's valuation of the unique risk of the liability and the time value of money; and the risk reflected in the discount rate does not reflect the risk considered to estimate the future cash flows. Where there is sufficient and objective evidence that a future event that will affect the amount of expenditures spent to settle the present obligation is likely to occur, the amount of provisions is estimated by considering the future event and the estimated gain on disposition of assets is not taken into account in measuring provisions.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by a third party, the reimbursement is recognized only when it is virtually certain that reimbursement will be received if the Consolidated Entity settles the obligation and accounted for as a separate asset. The reimbursement recognized in assets should not exceed the amount of the related provision.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are used in expenditures related to initial recognition.

2.2.14 Convertible bonds

Convertible bonds issued by the Consolidated Entity are classified into financial liabilities and equity according to the substance of agreement. The fair value of financial liabilities upon initial recognition is estimated at the current value discounted by a market interest rate at the time when the future cash flows defined in the contract is reflected to debt instruments having the same condition or similar credit status to financial instruments for the year and providing substantially same cash flows, but having no convertible rights, and measured at amortized cost that lapsed as convertible rights were exercised and that reflected an effective interest rate until maturity. The carrying amount of convertible rights which is an equity component is determined at the amount that subtracted the fair value of financial liabilities from the fair value of the entire convertible bonds and reflected tax effects, and not measured again after that. Transaction costs related to the issuance of convertible bonds are allocated to financial liabilities and equity in proportion to the allocated issue value.

2.2.15 Share-based payment

Goods or services provided in share-based payment transactions are recognized on the date when the goods or services are being provided. Where goods or services are provided through share-based payment transactions, the corresponding increase in equity is recognized. Where goods or services provided through share-based payment transactions do not satisfy the requirements for recognizing the asset, it is recognized in costs.

For the share-based payment transactions that the Consolidated Entity grants its equity instruments (shares or stock option) in exchange for receiving goods or services or the share-based payment transactions that receives goods or services but do not have the obligation to settle the share-based payment transactions to the provider, the goods or services provided and the corresponding increase in equity are measured directly at the fair value of the goods or services provided. If it is unable to reliably estimate the fair value of the goods or services provided, the goods or services provided and the corresponding increase in equity are measured indirectly based on the fair value of equity instruments granted. Where the equity instruments granted are vested only when providing services at a particular period, the services received for the equity instruments are considered being provided for the future vesting period, so the services for the year are allocated to the vesting period and recognized, and the corresponding increase in equity is recognized.

Vesting conditions, not market conditions, are determined based on the number of equity instruments that the amount recognized for goods or services provided for equity instruments granted when adjusting the number of equity instruments included at the time of measuring the amount of transactions is ultimately vested, and if the estimated number of equity instruments to be vested in the future in light of subsequent information is different from the previous estimates, the estimates for the year is changed to match the number of ultimately vested equity instruments on the vesting date. Market conditions such as target stock prices are taken into account when estimating the fair value of equity instruments the Consolidated Entity granted.

Except in the situation that equity instruments are not vested since predetermined vesting conditions (except for market conditions) are not satisfied, service workers provided regardless of the conditions for granting equity instruments are changed or the equity instruments granted are cancelled or early cleared are recognized at the fair value of at least the day when the equity instruments are issued. If the gross fair value of share-based payment agreements is increased or the conditions are changed in favor of employees, the effects of condition changes are additionally recognized.

Where the equity instruments granted are cancelled or early cleared during the vesting period and if no cancellation or early clearance took place seeing that the equity instruments granted are early vested due to cancellation or early clearance, the amount to be recognized for the services to be provided during the remaining vesting period is immediately recognized, and the amount paid to employees, etc. at the time of cancellation or early clearance is considered repurchase to be deducted from equity.

2.2.16 Revenues from contracts with customers

(1) Identification of performance obligation

The Consolidated Entity is engaged in the business that manufactures, sells, and repairs skin care medical devices and related consumables. If there exist other promises except for providing goods in some sales agreements of medical devices and related consumables entered into with customers, the Consolidated Entity needs to take into account if the obligations under these other promises correspond to a separate performance obligation that requires part of transaction consideration to be allocated. Accordingly, the Consolidated Entity identifies the provision of consumable coupons that exist in the sales agreement of some of medical devices as a separate performance obligation, different from the provision of medical devices and related consumables.

(2) Paid repair services related to the sales of medical devices and related consumables

If the control of goods or services is transferred to a customer in the agreement with the customer, the Consolidated Entity recognizes the amount that reflected the consideration expected to have the right in exchange for the goods or services in profits. The Consolidated Entity controls the goods or services before the goods or services defined in the agreement with customers are provided to the customers, so the Company acts as a contractual party in the agreement with customers.

(3) Consumable coupons

The Consolidated Entity sells consumable coupons as a package for the domestic sale of some medical devices, allocates some of trading values received at the time of providing goods to the performance obligation, recognizes unused coupons in advances, and recognizes the consumable coupons in profits over the period when the performance obligation (exchanging coupons with consumables) is fulfilled. Meanwhile, the individual selling prices of the vendor are not observed when estimating the market price allocated to coupons, so the Consolidated Entity estimates the individual selling prices in a consistent manner by taking into account all information available within a reasonable range. The Consolidated Entity also reviews if there exist any significant financial components because there is a significant different between the time when the Consolidated Entity receives consideration for the provision of coupons and the time when the obligation to exchange coupons with consumables is actually fulfilled. However, the Consolidated Entity believes that the difference occurred for the reason other than financial components provided by customers or the Consolidated Entity, the significant financial components that existed when estimating the market price have no influence.

2.2.17 Employee benefits

(1) Short-term employee benefits

Short-term employee benefits include salaries, social security contributions, short-term paid leaves such as paid annual leave or paid sick leave to be settled within 12 months from the end of the fiscal year when an employee offers related services, profit sharing and bonuses to be settled within 12 months from the end of the fiscal year when an employee offers related services, and non-monetary benefits for incumbent employees. The undiscounted amount of short-term employee benefits to be paid in exchange for services provided by employees during the fiscal year is recognized in accrued expenses less the amount paid. Where the amount paid is larger than the undiscounted amount of the salaries, the future payment is reduced or cash refund is offered for the excess value, so it is recognized in prepaid expenses and recognized in expenses except in the situation that the salaries are included in the costs of assets according to other K-IFRS.

(2) Retirement benefits

Defined contribution plans are a retirement plan in which employees contribute a fixed amount to a separate entity (fund), the Consolidated Entity's legal obligation or constructive obligation is confined to the amount agreed to donate to the fund, and the amount of retirement benefits employees will receive is determined by the contributions donated by the Consolidated Entity and employees to the retirement benefit schemes or an insurance company and a return on investment that incurs from the contribution. If an employee provided services for a certain period of time, the contribution to be paid to the defined contribution plans in exchange for the services is recognized in accrued expenses less the amount paid. Where the amount paid is larger than the contribution to be paid for the services provided before the reporting period end date, the future payment is reduced or cash refund is offered for the excess value, so it is recognized in prepaid expenses and recognized in expenses except in the situation that the contribution is included in the costs of assets according to other K-IFRS.

(3) Other long-term employee benefits

Other long-term employee benefits include long-term paid leaves expected to be settled after 12 months from the end of the fiscal year when an employee offers related services, other long service benefits, long-term disability benefits, profit sharing and bonuses, and deferred compensation. The amount recognized in liabilities in relation to other long-term employee benefits is recognized by deducting the fair value on the reporting period end date of plan assets available to directly settle the present value of the related defined benefit obligation on the reporting period end date.

(4) Termination benefits

Liabilities and expenses for termination benefits are recognized on the earlier day between when the Consolidated Entity can no longer withdraw the proposal for termination benefits and when the costs for restructuring included in the scope of K-IFRS 1037, Contingent Liabilities and Contingent Assets and involving the payment of retirement benefits.

2.2.18 Impairment of assets

For the impairment of all assets except for inventories, deferred tax assets, assets from employee benefits, financial assets, etc., impairment loss is recognized as follows.

In case of intangible assets with infinite useful life, intangible assets which is not available yet, and the goodwill acquired through business combinations, an impairment test is performed by estimating recoverable amounts every year and comparing them with the carrying amount, regardless of any signs indicating the impairment of assets. For other assets, the presence of any signs indicating the impairment of assets is reviewed at the end of each reporting period and if any, the recoverable amount of each asset is estimated. If the estimation is impossible, the recoverable amount at cash-generating unit that belongs to the asset is estimated.

The recoverable amounts of assets are measured at the higher value between the fair value less costs to sell and the value in use of assets or cash-generating units. If the recoverable amount of an asset falls short of the carrying amount, the asset’s carrying amount is reduced to the recoverable amount and impairment loss is immediately recognized in current profit or loss.

The goodwill acquired though the business combination for the purpose of impairment test is allocated to each cash-generating unit expected to benefit from a synergy effect of the business combination from the acquisition date. For the cash-generating units to which goodwill is allocated, impairment test is conducted by comparing the carrying amounts of cash-generating units including goodwill and recoverable amounts every year and whenever a sign indicating impairment appears, and impairment loss is recognized if the carrying amounts of cash-generating units exceed recoverable amounts. Impairment loss of cash-generating units first reduces the carrying amount of goodwill allocated to cash-generating units and allocates it to other assets that belong to cash-generating units in proportion to each carrying amount.

If there are signs that indicate the absence or reduction of impair loss recognized in the past for assets except for goodwill is reviewed to discover any signs, the recoverable amounts of assets for the year is estimated, and reversed only when there is a change in estimates used to determine the recoverable amounts immediately before impairment loss is recognized. The increased carrying amount by the reversal of an impairment loss should not exceed the depreciation of the carrying amount before the impairment loss was recognized in the past or the balance after amortization, and the reversal of an impairment loss is immediately recognized in current profit or loss. The reversal of an impairment loss of cash-generating units is allocated in proportion of the carrying amount of assets (except for goodwill) that comprises cash-generating units, and the impairment loss recognized for goodwill is not reversed in the subsequent period.

2.2.19 Income taxes

Income taxes comprise current tax expenses (revenues) and deferred tax expenses (revenues). Current taxes and deferred taxes are recognized in incomes or expenses to be included in current profit or loss. Current taxes and deferred taxes related to the items directly deducted from equity during the same fiscal year or other fiscal years are directly deducted from equity.

(1) Current taxes

Current taxes are income taxes to be paid (refunded) for the taxable income (tax loss) of the fiscal year, and taxable income (tax loss) is gains (losses) during the fiscal year subject to calculation of income taxes to be paid (refunded) according to the laws enacted by a taxation authority and different from income or loss in the comprehensive statements of income.

Current tax liabilities (assets) for the current and past periods are measured at the amount expected to be paid to (refunded by) the taxation authority, using the tax rate (and tax law) enacted or substantially enacted until the reporting period end date.

The portion not paid out of current taxes for the current and past periods are recognized in liabilities, the portion overpaid for the past period is recognized in assets, and tax loss and related benefits which can be retroactively deducted for the current taxes for the past fiscal year are recognized in assets.

(2) Deferred taxes

The Consolidated Entity recognizes all taxable temporary differences in deferred taxes, but not recognizes the deferred taxes that incur if goodwill is initially recognized, if the transaction that assets or liabilities are initially recognized is not a business combination transaction, but a transaction that does not influence accounting profit or taxable income (tax loss) at the time of transaction, and if the parent company, investors, or participants can control the timing of disappearance of taxable temporary differences related to investments in subsidiaries, branches, and associates and the share of investments in joint arrangements and it is unlikely that the temporary differences will disappear in a foreseeable future.

The Consolidated Entity recognizes deferred tax assets for all deductible temporary differences only if it is likely that taxable income will be generated in the future, which allows the temporary deductible differences to be utilized. However, deferred tax assets are not recognized if the transaction that takes place when assets or liabilities are initially recognized is not a business combination transaction, but a transaction that does not influence accounting profit or taxable income (tax loss) and if deductible temporary differences related to investments in subsidiaries, branches, and associates and the share of investments in joint arrangements are unlikely to disappear in a foreseeable future or taxable income in which the temporary differences can be used is unlikely to occur. Deferred tax assets are recognized for unused tax loss and tax credit carried forward to the extent that future taxable income is likely to occur in which unused tax loss and tax credit can be used.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period. If taxable income is no longer likely to occur sufficient to have part or the benefits of all of deferred tax assets be used, the carrying amounts of deferred tax assets are reduced and is reversed to the extent that taxable income is likely to occur sufficient to have the reduction be used.

Deferred tax assets and liabilities are measured using the tax rate expected to apply to the fiscal year when the assets for the year are realized or liabilities are settled, based on the tax rate (and tax law) enacted or substantially enacted until the reporting period end date. Deferred tax assets and liabilities are not discounted.

The Consolidated Entity has the legally enforceable right to offset current tax assets and current tax liabilities and offsets deferred tax assets and deferred tax liabilities related to income taxes imposed by the same taxation authority.

(3) Recognition of current taxes and deferred taxes

Current taxes and deferred taxes are recognized in revenues or expenses to be included in current profit or loss unless they occur from transactions, events, or business combinations directly recognized in other comprehensive income or loss or equity during the same fiscal year or other fiscal years. In the event of a business combination, tax effects are included and reflected in the accounting for business combinations.

2.2.20 Earnings per share

The Consolidated Entity calculates basic earnings per share and diluted earnings per share for the income or loss from continuing operations and net income or loss vested in common stocks and presents them in the statements of comprehensive income.

Basic earnings per share is calculated by dividing the current income or loss for a specific fiscal year vested in common shares by the weighted average number of common stocks outstanding during the period. The amount vested in common stocks is adjusted by the difference and similar effects that occurred when after-tax dividend for preferred stocks classified as equity in each amount of income or loss from continuing operations and net income or loss and preferred stocks are repaid.

Diluted earnings per share is calculated by adjusting the net income or loss vested in common stocks and the weighted average number of common stocks considering the impacts of all potential common stocks which have an effect of dilution.

2.2.21 Error correction

Unless it is unable to practically determine the time-specific effects of errors or the accumulated effects of errors, the financial information is prepared again if the financial statements in which significant errors for the previous period are found are presented for comparison in the financial statements to be approved for initial issuance.

2.3. Approval of financial statements

The Company's financial statements were approved by the board of directors as of February 15, 2023, and may be approved with modifications at the annual meeting of shareholders.

3. Significant accounting estimates and assumptions

The Company estimates and assumes the future. Estimates and assumptions continue to be reviewed considering past experience and other elements such as reasonably-foreseeable future events in the present situation. These accounting estimates may be different from actual circumstances.

Significant accounting estimates and assumptions used in the preparation of the financial statements are same to the accounting estimates and assumptions applied in the preparation of the financial statements for the previous year, except for the method of estimation.

4. Fair value

There are no significant changes in business environment and economic circumstance that have influence on the fair value of financial assets and financial liabilities of the Consolidated Entity during 2022.

(1) Fair value by types of financial instruments

The book value and fair value of financial instruments of the Consolidated Entity as of the reporting period end date are as follows:

(Unit: thousand won)

Classification	End of 2022		End of 2021	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and cash equivalents	26,004,485	26,004,485	42,788,254	42,788,254
Long- and short-term financial instruments	65,709,101	65,709,101	297,208	297,208
Financial assets measured at fair value through profit or loss	20,198,635	20,198,635	5,125,081	5,125,081
Accounts receivable	6,862,300	6,862,300	1,722,391	1,722,391

Receivables	1,102,683	1,102,683	393,511	393,511
Notes receivable	39,000	39,000	-	-
Accrued income	433,639	433,639	47,864	47,864
Security deposit	2,681,004	2,681,004	2,752,439	2,752,439
Subtotal	123,030,847	123,030,847	53,126,748	53,126,748
Financial liabilities				
Accounts payable	317,104	317,104	819,287	819,287
Payables	1,807,864	1,807,864	927,415	927,415
Long- and short-term borrowings	66,800,000	66,800,000	35,000,000	35,000,000
Accrued expense	4,907,500	4,907,500	775,408	775,408
Lease liabilities	557,303	557,303	514,155	514,155
Security deposit	1,248,487	1,248,487	382,800	382,800
Non-current lease liabilities	541,314	541,314	291,450	291,450
Subtotal	76,179,572	76,179,572	38,710,515	38,710,515

The Consolidated Entity judges that the book value of financial assets and financial liabilities measured at amortized cost in the financial statements is approximate to the fair value of them.

(2) Fair value hierarchy

Financial instruments which are measured at fair value or the fair value is disclosed are classified according to a fair value hierarchy and defined as follows.

Classification	Significance of input variables
Level 1	The (unadjusted) posted price in an active market for the same assets or liabilities
Level 2	Directly (e.g., prices) or indirectly (e.g., drawn from prices) observable input variables for assets or liabilities (except for the posted price in Level 1)
Level 3	Input variables for assets or liabilities not based on observable market data (unobservable input variables)

The status of financial assets and financial liabilities measured at fair value as of the reporting period end date is as follows.

① End of 2022

(Unit: thousand won)

Classification	Level 1	Level 2	Level 3	Total
Repeated measured fair value				
Financial assets measured at fair value through profit or loss	-	20,198,635	-	20,198,635

② End of 2021

(Unit: thousand won)

Classification	Level 1	Level 2	Level 3	Total
Repeated measured fair value				
Financial assets measured at fair value through profit or loss	-	5,125,081	-	5,125,081

(3) Valuation method and input variables

The valuation method and input variables of items classified to Level 2 of a fair value hierarchy out of assets and liabilities measured at fair value as of the reporting period end date are as follows.

(Unit: thousand won)

Classification		Fair value		Valuation method	Input variables
		End of 2022	End of 2021		
Assets	Financial assets measured at fair value through profit or loss				
	Hybrid bond fund	20,198,635	5,125,081	Net asset-based approach	-

5. Information of segment

(1) Business segment

The Consolidated Entity engages in a single business segment and does not manage revenues, expenses, assets, and liabilities by segments.

(2) Information of regions

1) The details of regional sales of the Consolidated Entity are as follows.

(Unit: thousand won)

Category	2022	2021
South Korea	54,331,359	30,416,836
Overseas	87,471,883	70,180,100
Total	141,803,242	100,596,936

2) Non-current assets by regions are as follows.

(Unit: thousand won)

Category	End of 2022	End of 2021
South Korea	105,719,964	81,828,631
Overseas	-	-
Total	105,719,964	81,828,631

Non-current assets by regions are the sum of property, plant, and equipment and intangible assets.

(3) Information of key accounts

Key accounts that account for more than 10% of the Consolidated Entity's revenues as a single client are as follows.

(Unit: thousand won)

Category	2022	2021
A	26,633,536	13,448,069
B	-	13,621,977

(4) The financial statements of all subsidiaries used to prepare the consolidated financial statements are the financial statements for the same reporting period to that of the parent company.

6. Cash and cash equivalents

The details of cash and cash equivalents are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Demand deposit	26,004,485	42,687,843
Repurchase agreement	-	100,411
Total	26,004,485	42,788,254

7. Restricted financial assets

The details of restricted financial assets as of the reporting period end date are as follows.

(Unit: thousand won)

Classification	Bank	End of 2022	End of 2021	Restrictions
Time deposits	Woori Bank	214,844	-	Restricted use related to setting the right of pledge for investment properties
Trust account	Samsung Securities	14,578,024	-	Restricted use related to share repurchase trust
Total	-	14,792,868	-	-

8. Accounts receivable and other receivables

(1) The book value of accounts receivable and other receivables is as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
	Current	Current
Accounts receivable	7,059,121	1,899,487
(-)Allowance for loss	(196,821)	(177,096)

Accounts receivable (net value)	6,862,300	1,722,391
Receivables	1,102,683	393,511
(-)Allowance for loss	-	-
Receivables (net value)	1,102,683	393,511
Notes receivable	39,000	-
Total	8,003,983	2,115,902

The Consolidated Entity's credit risk, the exposure to the market risk, impairment loss on loans related to accounts receivable and other receivables are described in Note 35.

(2) The details of allowance for loss are as follows.

(Unit: thousand won)

Classification	2022		2021	
	Accounts receivable	Receivables	Accounts receivable	Receivables
Beginning balance	177,096	-	278,791	7,079
Bad debt expense	19,725	-	(101,200)	-
Removal of accounts receivable	-	-	(495)	(7,079)
Ending balance	196,821	-	177,096	-

9. Other financial assets

The details of other financial assets are as follows.

(Unit: thousand won)

Classification	End of 2022		End of 2021	
	Current	Non-current	Current	Non-current
Accrued revenue	433,639	-	47,864	-
Deposit for rent	1,643,000	981,089	858,000	1,844,118
Other deposits	-	56,915	-	50,321
Total	2,076,639	1,038,004	905,864	1,894,439

10. Other current assets

The details of other current assets are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Advance payment	2,442,157	3,238,706

Prepaid expense	258,609	1,110,968
Prepaid VAT amount	4,541	1,365,447
Total	2,705,307	5,715,121

11. Inventories

(1) The details of inventories are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Finished goods	5,751,715	4,673,086
(-)Allowance for finished goods valuation	(12,789)	(68,820)
Finished goods (net value)	5,738,926	4,604,266
Work in progress	3,045,747	1,830,526
Raw material	15,186,421	10,443,653
(-)Allowance for raw material valuation	(573,427)	(413,081)
Raw materials (net value)	14,612,994	10,030,572
Total	23,397,667	16,465,364

(2) Loss on valuation of inventories recognized during 2022 is 104,315 thousand won and loss on valuation of inventories recognized during 2021 is 126,502 thousand won.

12. Property, plant, and equipment

(1) The details of property, plant, and equipment are as follows.

① End of 2022

(Unit: thousand won)

Classification	Acquisition cost	Accumulated depreciation	Book value
Land	65,404,482	-	65,404,482
Buildings	36,218,488	(1,873,193)	34,345,295
Machinery	613,176	(394,654)	218,522
Facilities	2,459,662	(175,951)	2,283,711
Vehicles	950,032	(481,518)	468,514
Tools and equipment	4,010,740	(3,162,642)	848,098
Fixtures	1,083,896	(410,923)	672,973
Construction in	-	-	-

progress			
Total	110,740,476	(6,498,881)	104,241,595

② End of 2021

(Unit: thousand won)

Classification	Acquisition cost	Accumulated depreciation	Book value
Land	36,994,744	-	36,994,744
Buildings	27,233,885	(1,906,142)	25,327,743
Machinery	528,146	(302,300)	225,846
Facilities	701,263	(544,829)	156,434
Vehicles	990,144	(423,400)	566,744
Tools and equipment	3,551,490	(2,180,027)	1,371,463
Fixtures	596,821	(346,065)	250,756
Construction in progress	15,810,903	-	15,810,903
Total	86,407,396	(5,702,763)	80,704,633

(2) The changes in the book value of property, plant, and equipment are as follows.

① 2022

(Unit: thousand won)

Classification	Beginning balance	Acquisition cost	Depreciation	Disposal	Reclassification	Ending balance
Land	36,994,744	18,556,663	-	(21,620,106)	31,473,181	65,404,482
Buildings	25,327,743	5,537,620	(1,006,734)	(8,067,845)	12,554,511	34,345,295
Machinery	225,846	85,030	(92,354)	-	-	218,522
Facilities	156,434	2,209,897	(233,702)	(45,918)	197,000	2,283,711
Vehicles	566,744	67,921	(165,272)	(879)	-	468,514
Tools and equipment	1,371,463	112,750	(982,615)	-	346,500	848,098
Fixtures	250,756	558,781	(130,973)	(5,591)	-	672,973
Construction in progress	15,810,903	352,700	-	-	(16,163,603)	-
Total	80,704,633	27,481,362	(2,611,650)	(29,740,339)	28,407,589	104,241,595

② 2021

(Unit: thousand won)

Classification	Beginning balance	Acquisition cost	Depreciation	Disposal	Reclassification	Ending balance
Land	28,470,958	7,753,786	-	-	770,000	36,994,744

Buildings	19,067,429	6,227,137	(596,823)	-	630,000	25,327,743
Machinery	284,573	63,124	(89,490)	(32,361)	-	225,846
Facilities	296,687	-	(140,253)	-	-	156,434
Vehicles	264,153	490,184	(141,913)	(45,680)	-	566,744
Tools and equipment	1,350,443	626,304	(869,934)	-	264,650	1,371,463
Fixtures	228,376	127,887	(97,414)	(8,093)	-	250,756
Construction in progress	136,000	17,339,553	-	-	(1,664,650)	15,810,903
Total	50,098,619	32,627,975	(1,935,827)	(86,134)	-	80,704,633

(3) The main insurance status is as follows.

(Unit: thousand won)

Insurance type	Insured asset	Insured sum	Insurer	Remarks
Fire insurance	Office building	24,100,000	Hyundai Marine & Fire insurance Co., Ltd.	-
Fire insurance	Production 1 (Munjeong-dong)	8,654,000	Samsung Fire & Marine Insurance Co., Ltd.	Inventories included
Fire insurance	Production 2 (Misa, Hanam)	8,030,000	Samsung Fire & Marine Insurance Co., Ltd.	Inventories included

(4) The details of property, plant, and equipment provided as collateral to a bank for long-term borrowings are as follows.

(Unit: thousand won)

Bank	Type of borrowings	Secured asset	Carrying amount of insurance coverage	Maximum credit amount
Kookmin Bank	Long-term borrowings	Land & Building	56,675,447	82,800,000

13. Investment properties

(1) The details of investment properties are as follows.

① End of 2022

(Unit: thousand won)

Classification	Acquisition cost	Accumulated depreciation	Book value
Land	57,823,670	-	57,823,670

Buildings	17,262,023	(431,551)	16,830,472
Construction in progress	-	-	-
Total	75,085,693	(431,551)	74,654,142

② End of 2021

(Unit: thousand won)

Classification	Acquisition cost	Accumulated depreciation	Book value
Land	6,383,948	-	6,383,948
Buildings	5,219,564	(65,245)	5,154,319
Construction in progress	46,879,897	-	46,879,897
Total	58,483,409	(65,245)	58,418,164

(2) The changes in the book value of investment properties are as follows.

① 2022

(Unit: thousand won)

Classification	Beginning balance	Acquisition cost	Depreciation	Reclassification	Ending balance
Land	6,383,948	33,380,622	-	18,059,100	57,823,670
Buildings	5,154,318	10,378,955	(523,289)	1,820,488	16,830,472
Construction in progress	46,879,897	-	-	(46,879,897)	-
Total	58,418,163	43,759,577	(523,289)	(27,000,309)	74,654,142

② 2021

(Unit: thousand won)

Classification	Beginning balance	Acquisition cost	Depreciation	Reclassification	Ending balance
Land	-	5,778,948	-	605,000	6,383,948
Buildings	-	4,724,564	(65,245)	495,000	5,154,319
Construction in progress	-	47,979,897	-	(1,100,000)	46,879,897
Total	-	58,483,409	(65,245)	-	58,418,164

(3) The details of fair value evaluation of investment properties are as follows.

(Unit: thousand won)

Classification	Latest date of revaluation	Land	Building	Construction in progress	Total
< Book value of assets to be valuated>					

Book value		57,823,670	16,830,472	-	74,654,142
< Detailed valuation results by assets>					
Ann Jay Tower in Yeoksam-dong(*)	-	54,849,237	16,383,538	-	71,232,775

(*) It is purchased on January 28, 2022 in order to use as a head office following business expansion. As the existing lease agreement is inherited, some are leased and the whole building will be used as soon as the existing lease agreement is terminated.

Rental income and expense from investment properties recognized by the Company during 2022 are 2,151,722 thousand won and 1,220,798 thousand won, respectively.

14. Intangible assets

(1) The details of intangible assets are as follows.

① End of 2022

(Unit: thousand won)

Classification	Acquisition cost	Accumulated amortization	Book value
Patents	318,404	(134,845)	183,559
Trademarks	179,511	(86,957)	92,554
Design right	339,925	(61,908)	278,017
Software	374,388	(159,137)	215,251
Intangible assets in progress	403,002	-	403,002
Membership	305,987	-	305,987
Total	1,921,217	(442,847)	1,478,370

② End of 2021

(Unit: thousand won)

Classification	Acquisition cost	Accumulated amortization	Book value
Patents	288,964	(107,133)	181,831
Trademarks	95,042	(67,781)	27,261
Design right	84,991	(19,390)	65,601
Software	330,093	(85,580)	244,513
Intangible assets in progress	298,805	-	298,805
Membership	305,987	-	305,987

Total	1,403,882	(279,884)	1,123,998

(2) The changes in the book value of intangible assets are as follows.

① 2022

(Unit: thousand won)

Classification	Beginning balance	Acquisition cost	Accumulated amortization	Reclassification	Ending balance
Patents	181,831	-	(27,713)	29,441	183,559
Trademarks	27,261	2,616	(19,176)	81,853	92,554
Design right	65,601	-	(42,518)	254,934	278,017
Software	244,513	5,285	(73,557)	39,010	215,251
Intangible assets in progress	298,805	509,435	-	(405,238)	403,002
Membership	305,987	-	-	-	305,987
Total	1,123,998	517,336	(162,964)	-	1,478,370

② 2021

(Unit: thousand won)

Classification	Beginning balance	Acquisition cost	Accumulated amortization	Reclassification	Ending balance
Patents	273,173	-	(26,169)	(65,173)	181,831
Trademarks	28,467	8,042	(17,048)	7,800	27,261
Design right	22,466	-	(10,037)	53,172	65,601
Software	77,605	107,040	(54,297)	114,165	244,513
Intangible assets in progress	114,165	294,604	-	(109,964)	298,805
Membership	305,987	-	-	-	305,987
Total	821,863	409,686	(107,551)	-	1,123,998

(3) Ordinary research and development expenses that incurred in 2022 and 2021 are 4,942,706 won and 5,132,236 thousand won, respectively.

15. Accounts payable and other payables

The details of accounts payable and other payables are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
	Current	Current

Accounts payable	317,104	835,220
Payables	1,807,865	927,463
Total	2,124,969	1,762,683

16. Borrowings

(1) The details of borrowings are as follows.

(Unit: thousand won)

Classification	End of 2022		End of 2021	
	Current	Non-current	Current	Non-current
Long-term borrowings	2,400,000	64,400,000	-	35,000,000
Total	2,400,000	64,400,000	-	35,000,000

(2) The details of long-term borrowings are as follows.

(Unit: thousand won)

Classification	Creditor	Interest rate	End of 2022	End of 2021
Loans	Kookmin Bank	2.76%	-	35,000,000
Loans	Kookmin Bank	2.94%	61,800,000	-
Loans	Kookmin Bank	2.72%	5,000,000	-
Less: Current portion of long-term borrowings			2,400,000	-
Total			64,400,000	35,000,000

(3) The year-based repayment plan of long-term borrowings is as follows.

(Unit: thousand won)

Classification	≤1 year	≤2 years	≤3 years	Total
Loans for facility funds	2,400,000	2,400,000	62,000,000	66,800,000

17. Other financial liabilities

The details of other financial liabilities are as follows.

(Unit: thousand won)

Classification	End of 2022		End of 2021	
	Current	Non-current	Current	Non-current
Accrued expense	4,907,500	-	775,408	-
Unpaid dividend	-	-	-	-
Deposits received	557,775	690,712	204,800	178,000

Total	5,465,275	690,712	980,208	178,000

18. Other current liabilities

The details of other current liabilities are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Withholdings	4,499	1,243,534
VAT withheld	975,358	-
Advances	5,313,326	5,499,284
Total	6,293,183	6,742,818

19. Warranty provisions

The changes in warranty provisions are as follows.

(Unit: thousand won)

Classification	2022	2021
Beginning balance	827,521	775,581
Use	(761,324)	(461,324)
Increase	1,159,753	513,264
Ending balance	1,225,950	827,521
Current liabilities	1,225,950	827,521

20. Capital stocks

(1) The details of capital stocks are as follows.

(Unit: share, won)

Classification	End of 2022	End of 2021
	Common stock	Common stock
Number of authorized shares	100,000,000	100,000,000
Face value per share	100	100
Number of issued shares	64,776,702	64,716,864
Capital stock	6,477,670,200	6,471,686,400

A stock option was exercised on January 13, 2022 during the current reporting period and the details are described in Note 26.

(2) The changes in capital stocks are as follows.

(Unit: thousand won)

Classification	2022	2021
Beginning of the period	6,471,687	6,470,917
Exercise of stock option	5,983	770
End of the period	6,477,670	6,471,687

21. Capital surplus

The details of capital surplus are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Capital in excess of par value	24,229,755	24,122,104

22. Other components of equity

The details of other components of equity are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Gain (loss) on translation of foreign operations	38,082	22,859

23. Capital adjustments

The details of capital adjustments are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Stock option (*Note 1)	-	4,789
Treasury stock (*Note 2)	(5,421,976)	-
Total	(5,421,976)	4,789

(*Note 1) Equity-settled reserve for employee benefits is related to a stock option granted to employees according to employee stock option plans. Detailed information on share-based payment for employees is described in Note 26.
(*Note 2) The parent company acquired 367, 636 shares of treasury stock during 2022.

24. Retained earnings

(1) The details of retained earnings are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021

Legal reserve (Note)	1,296,603	869,472
Unappropriated retained earnings	202,933,723	132,253,520
Total	204,230,326	133,122,992

(Note) The Company accumulates over 10% of cash dividends as legal reserve until its amount reaches 50% of the capital stocks according to business laws. This legal reserve cannot be paid as cash dividends, but can be used in capitalization or to make up deficits carried forward by the resolution of the general meeting of shareholders.

(2) The changes in retained earnings are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Beginning balance	133,122,992	93,200,866
Net income	75,378,647	43,804,676
Cash dividends	(4,271,313)	(3,882,550)
Ending balance	204,230,326	133,122,992

(3) Dividends

Cash dividends of 4,271,313,024 won for the common stocks for the fiscal year that ends on December 31, 2021, were paid in April 2022.

25. Earnings per share

(1) Basic earnings per share

Basic earnings per share represent earnings per one common stock and the details of calculation of basic earnings per share in 2022 and 2021 are as follows.

(Unit: thousand won, share)

Classification	2022	2021
Net income	75,378,647	43,804,676
Net income attributable to common shares	75,378,647	43,804,676
Weighted average number of common shares outstanding (*)	64,689,751	64,716,667
Basic earnings per share	1,165	677

(*) The weighted average number of common shares outstanding applied to estimate net basic earnings or loss per share is calculated as follows.

(Unit: share)

Classification	2022	2021
Number of common shares outstanding at the beginning of period	64,716,864	64,709,168

Exercise of stock option	57,871	7,548
Number of treasury stock	(84,984)	-
Weighted average number of common shares outstanding	64,689,751	64,716,716

(2) Diluted earnings per share

Diluted earnings or loss per share is calculated by applying the weighted average number of common shares outstanding adjusted based on the assumption that all dilutive potential ordinary shares are converted into common shares. Dilutive potential ordinary shares held by the Company include a stock option.

The details of calculation of diluted earnings per share in 2022 and 2021 are as follows:

(Unit: thousand won, share)

Classification	2022	2021
Net income diluted of common shares	75,378,647	43,804,676
Number of shares that combined the weighted average number of common shares outstanding and the number of dilutive potential ordinary shares (*)	64,691,516	64,770,577
Diluted earnings per share	1,165	676

(*) The weighted average number of common shares outstanding applied to estimate net diluted earnings or loss per share is calculated as follows.

(Unit: share)

Classification	2022	2021
Weighted average number of common shares outstanding	64,689,751	64,716,716
Stock option	1,765	53,861
Number of shares that combined the weighted average number of common shares outstanding and the number of dilutive potential ordinary shares	64,691,516	64,770,577

26. Share-based payment

(1) Share-based payment arrangements

The share-based payment arrangements granted by the Company are as follows.

① Stock option

The Company gave stock options to employees which allow the purchase of stocks in the Consolidated Entity on December 20, 2016, but cancelled all of them on August 30, 2017 and gave again after changing the terms and conditions. In the event of exercising a stock option, stocks can be purchased at its exercise price.

Specific conditions for share-based payment arrangements are as follows. If a stock option is exercised, real stocks are delivered.

Payment method	Equity-settled share-based payment	
Arrangement type	Stock option	
	Executives	Employees
Grant date	2017-08-30	2017-08-30
Number of shares granted (share)	1,869,084	934,541
Vesting condition & exercise period	Executives or employees are required to be in office for more than two years form the grant date and be employed as of the exercise date. The exercisable period is 7 years from the day 2 years has passed from the date resolved by the general meeting of shareholders or defined by the board of directors for the grant of a stock option.	
Exercise price (won)	1,819	1,819

(2) The details of stock option granted by the Consolidated Entity are as follows.

(Unit: share, won)

Classification	Quantity	Exercise price
Beginning of the period	59,838	1,819
Granted	-	-
Exercised (*)	59,838	1,819
End of the current period	-	-
Year-end number of exercisable shares	-	-

(*) The weighted average price of shares at the exercising time is 17,279 won.

(3) Measurement of fair value

The Consolidated Entity calculated compensation costs by applying fair value approach that uses a binominal option pricing model, and the assumptions applied to the calculation of the fair value of a stock option are as follows.

Classification	Grant date
	2017-08-30
Grant date fair value (won)	80

Grant date stock price (won)	1,082
Risk-free interest rate	1.95%
Expected exercise period	5년
Estimated volatility	22.70%
Expected dividend yield	0%

27. Sales and cost of goods sold

(1) The details of sales are as follows.

(Unit: thousand won)

Classification	2022	2021
Sales of finished goods	139,628,863	100,571,828
Other sales (*)	22,657	25,108
Lease sales	2,151,722	-
Total	141,803,242	100,596,936

(*) Other sales include the sales of services other than the sales of merchandise.

(2) The details of cost of goods sold are as follows.

(Unit: thousand won)

Classification	2022	2021
<Cost of finished goods sold >		
Beginning inventory of finished goods	4,673,086	2,674,385
Manufacturing cost of finished goods for the term	35,359,790	25,510,285
Transfer to other accounts	(1,829,837)	(743,467)
Customs refund	(35,903)	(23,845)
Ending inventory of finished goods	(5,751,715)	(4,673,085)
Cost of finished goods sold	32,415,421	22,744,273
<Cost of goods sold for a rental property >		
Cost of goods sold for a rental property	1,220,798	-
Total	33,636,219	22,744,273

(3) The balance of receivables, contract assets, and contract liabilities resulting from contracts with clients as of the end of 2022 and 2021 are as follows.

(Unit: thousand won)

Classification	Description	End of 2022	End of 2021
Receivables	Accounts receivable	7,059,121	1,899,487
Contract liabilities	Advances	5,313,326	5,499,284
Total		12,372,447	7,398,771

(4) Revenues recognized during the reporting period due to a change in contract liabilities during 2022 and 2021 are as follows.

① 2022

(Unit: thousand won)

Description	Details	Beginning balance	Revenue recognition	Increase	Ending balance
Advances	Unused coupons (*)	3,772,275	(1,377,649)	1,833,585	4,228,211
	Advances for medical devices	1,727,009	(49,583,914)	48,942,020	1,085,115
Total		5,499,284	(50,961,563)	50,775,605	5,313,326

(*) Coupon-related advances are recognized in revenues when the coupon is actually exercised and medical devices-related advances are recognized in revenues when the medical device is delivered.

② 2021

(Unit: thousand won)

Description	Details	Beginning balance	Revenue recognition	Increase	Ending balance
Advances	Unused coupons	4,197,840	(595,311)	169,746	3,772,275
	Advances for medical devices	989,665	(38,666,143)	39,403,487	1,727,009
Total		5,187,505	(39,261,454)	39,573,233	5,499,284

28. Expenses by characteristics

The details of expenses by characteristics are as follows.

(Unit: thousand won)

Classification	2022	2021
Variation in finished goods	(1,080,180)	(2,083,808)
Variation in work in process	(1,297,818)	(939,253)
Raw material costs	16,973,873	12,013,570
Employee benefits	22,527,768	18,047,032
Depreciation and amortization of intangible assets	3,376,406	2,523,014
Other expenses	32,426,986	19,323,661
Total	72,927,035	48,884,216

29. Employee benefits

The details of employee benefits recognized in expenses are as follows.

(Unit: thousand won)

Classification	2022	2021
Salaries	19,150,130	15,856,183
Social security contributions	1,983,532	1,202,838
Contribution paid to the defined contribution plans	1,394,106	988,011
Total	22,527,768	18,047,032

The Consolidated Entity has a defined contribution retirement pension of Samsung Life Insurance.

30. Selling and administrative expenses

The details of selling and administrative expenses are as follows.

(Unit: thousand won)

Classification	2022	2021
Salaries	10,022,964	9,137,445
Miscellaneous money	2,297	14,050
Retirement benefits	787,518	577,907
Fringe benefits	1,591,431	1,084,447
Travel expenses	312,864	7,368
Entertainment expenses	58,869	37,125
Communication expenses	36,580	35,844
Utility expenses	134,355	82,864
Taxes and dues	375,009	180,711
Depreciation	1,430,150	956,852
Rent	5,747	5,323
Repair charges	69,528	39,811
Insurance premium	90,979	33,751
Vehicle maintenance	194,300	162,576
Ordinary R&D expenses	4,429,777	4,700,593
Freight charges	398,530	121,602
Training expenses	4,675	4,430
Book and print costs	270,254	263,760
Office supplies expenses	22,552	13,427
Consumables	144,543	160,898
Commissions	6,676,410	2,264,782

Advertising costs	5,914,187	4,215,073
Sales promotion cost	173,929	168,730
Bad debt expenses	19,725	(101,200)
Amortization of intangible fixed assets	162,963	107,551
Export expenses	229,470	329,281
Sales commission	3,826,259	714,714
Sample expenses	745,198	306,964
Warranty expenses	1,159,753	513,264
Total	39,290,816	26,139,943

31. Net finance costs

The details of finance income and financial expenses are as follows.

(Unit: thousand won)

Classification	2022	2021
Interest revenues	772,115	57,275
Gain on foreign currency transaction	734,308	259,497
Gain on foreign currency translation	879,062	3,729,897
Gain on valuation of financial assets measured at fair value through profit or loss	198,635	164,764
Total finance income	2,584,120	4,211,433
Interest expenses	2,609,848	93,054
Loss on foreign currency transaction	775,686	272,614
Loss on foreign currency translation	1,241,386	1,480
Loss on valuation of financial assets measured at fair value through profit or loss	48,786	-
Total financial expenses	4,675,706	367,148
Total net income or loss	(2,091,586)	3,844,285

32. Other income and other expenses

The details of other income and other expenses are as follows.

(1) Other income

(Unit: thousand won)

Classification	2022	2021

Government subsidies	-	58,749
Gain on disposition of property, plant, and equipment	30,338,624	7,175
Income from rental real estate	-	116,825
Miscellaneous gains	35,525	31,862
Total	30,374,149	214,611

(2) Other expenses

(Unit: thousand won)

Classification	2022	2021
Loss on disposition of property, plant, and equipment	51,327	31,758
Rent and maintenance costs	-	65,244
Miscellaneous losses	349,007	50,026
Total	400,334	147,028

33. Income tax expenses

(1) Details of income tax expenses

Income tax expenses are calculated by adjusting the adjusted amount recognized in the current year for current taxes of the past period in current tax expenses and the income tax expenses (revenues) related to the items recognized other than in deferred tax expenses (revenues) and current profit or loss resulted from the occurrence and disappearance of temporary difference.

The components of income tax expenses are as follows.

(Unit: thousand won)

Classification	2022	2021
Current tax expenses:		
Income tax payout (incl. additional payment of income taxes and refund of income taxes)	22,549,909	10,369,252
Income tax expenses directly reflected in equity	(2,530)	(7,298)
Deferred tax expenses:		
Occurrence and disappearance of temporary difference (*)	(1,167,590)	1,457,958
Income tax expenses	21,379,789	11,819,912

(*) Beginning deferred tax assets resulted from temporary difference	788,007	(372,285)
Ending deferred tax assets resulted from temporary difference	(372,285)	1,085,673
Variation in deferred taxes resulted from temporary difference	(1,160,292)	1,457,958

(2) The relationship between accounting profit and income tax expenses is as follows.

(Unit: thousand won)

Details	2022	2021
Income (loss) before income taxes	96,758,437	55,624,588
Tax payout based on the tax rate applied	22,975,934	13,041,150
Adjustments		
Permanent difference	9,940	5,661
Additional payment of income taxes	8,279	524,394
Tax credits	(1,621,610)	(1,880,324)
Others (e.g., difference in tax rate)	7,246	129,031
Income tax expenses	21,379,789	11,819,912
Valid tax rate	22.10%	21.25%

(3) The details of income tax expenses directly reflected in equity are as follows.

(Unit: thousand won)

Classification	2022	2021
Gain (loss) on translation of foreign operations	(9,828)	(7,298)
Total	(9,828)	(7,298)

(4) The details of temporary difference and an increase or decrease in deferred tax assets (liabilities) are as follows.

① 2022

(Unit: thousand won)

Classification	Beginning balance	Increase	Ending balance
Accounts receivable and other receivables	38,445	(10,487)	27,958
Gain (loss) on foreign currency translation	(902,276)	986,335	84,059
Other current assets	(11,583)	(89,021)	(100,604)
Inventories	116,620	19,382	136,002
Property, plant, and equipment	21,626	99,566	121,192

Other current liabilities	210,617	78,424	289,041
Provisions	200,261	84,159	284,420
Gain on valuation of financial assets measured at fair value through profit or loss	(39,873)	(6,210)	(46,083)
Right-of-use assets	(193,780)	(59,249)	(253,029)
Financial lease liabilities	194,956	59,923	254,879
Gain (loss) on translation of foreign operations	(7,298)	(2,530)	(9,828)
Sum of deferred taxes resulted from tax loss and temporary difference	(372,285)	1,160,292	788,007
Except recognition of deferred taxes	-	-	-
Sum of items subject to recognition of deferred taxes	(372,285)	1,160,292	788,007

② 2021

(Unit: thousand won)

Classification	Beginning balance	Increase	Ending balance
Accounts receivable and other receivables	77,570	(39,125)	38,445
Gain (loss) on foreign currency translation	530,494	(1,432,770)	(902,276)
Other current assets	(7,899)	(3,684)	(11,583)
Inventories	86,007	30,613	116,620
Property, plant, and equipment	15,035	6,591	21,626
Other current liabilities	189,098	21,519	210,617
Provisions	187,691	12,570	200,261
Gain on valuation of financial assets measured at fair value through profit or loss	-	(39,873)	(39,873)
Right-of-use assets	(93,157)	(100,623)	(193,780)
Financial lease liabilities	93,686	101,270	194,956
Gain (loss) on translation of foreign operations	7,148	(14,446)	(7,298)
Sum of deferred taxes resulted from tax loss and temporary difference	1,085,673	(1,457,958)	(372,285)
Except recognition of deferred taxes	-	-	-
Sum of items subject to recognition of deferred taxes	1,085,673	(1,457,958)	(372,285)

Meanwhile, the deferred tax assets and liabilities are measured based on the defined interest rate as of the reporting period end date, using an estimated interest rate to be applied during the period when related temporary difference, etc. are expected to disappear.

(5) The Consolidated Entity judges that deferred tax assets can be realized as the

estimated taxable income after the subsequent year exceeds the tax loss to disappear in each fiscal year and the deductible temporary difference.

34. Capital management

The Consolidated Entity's capital management policies are to keep the optimum capital structure for investors and creditors, market confidence, and the future development of business. The board of directors is trying best to have a high rate of return and maintain a sound financial position.

The Consolidated Entity monitors equity using the ratio of equity to liabilities, and the debt ratio of the Consolidated Entity at the end of the reporting period is as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Total liabilities	101,857,251	52,634,774
Total assets	229,553,857	163,744,431
Debt ratio	44%	32%

35. Risk management

The Consolidated Entity is exposed to credit risk, liquidity risk, and market risk in relation to financial instruments. This Note provides information about the risks above the Consolidated Entity is exposed to and disclose the Consolidated Entity's risk management objectives, policies, and risk evaluation and management procedures. Additional quantitative data are provided across these financial statements.

(1) Financial risk management

1) Risk management system

The responsibility for establishing and overseeing the Consolidated Entity's risk management system rests with the board of directors. The Consolidated Entity's risk management policies are established to distinguish and analyze the risk encountered by the Consolidated Entity, set the appropriate risk limits and controls, and ensure that the risk does not exceed the limits. Risk management policies and system are regularly reviewed to reflect the changes in the market situation and the Consolidated Entity's activities. The Consolidated Entity aims to build a strictly and structurally controlled environment to make all employees understand their roles and duties.

2) Credit risk

Credit risk refers to the risk that a client or the other party to a financial instrument will cause financial losses to the Consolidated Entity by failing to fulfil its obligations. It mostly arises from accounts receivable and other receivables for clients.

The credit risk related to the Consolidated Entity's accounts receivable and other receivables is mostly influenced by the characteristics of each client. Main clients of the Consolidated Entity are domestic and international hospitals and overseas distributors, and the bankruptcy risk of countries where the clients are located does not have a great influence on the credit risk.

The Consolidated Entity receives a large part of contract price in advance from overseas clients and purchased a short-term export credit insurance (amount secured: $1,000,000) provided by the Korea Trade Insurance Corporation against an event of default.

The Consolidated Entity sets the allowance for receivables based on the past experience rates for bad debts by individually or collectively evaluating the status of impairment loss on accounts receivable and other receivables.

3) Liquidity risk

Liquidity risk means the risk that the Consolidated Entity will encounter difficulty in meeting obligations associated with financial liabilities. The Consolidated Entity manages liquidity risk by maintaining sufficient liquidity to be able to settle a debt on the date of maturity without the risk of causing unacceptable loss in financially difficult situations or damage to the reputation of the Consolidated Entity.

In general, the Consolidated Entity judges that it holds enough liquid assets to support the estimated operating for a considerable period of time. It does not include potential effects caused by extreme situations which cannot be reasonably expected.

4) Market risk

Market risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as an exchange rate, an interest rate, etc. The purpose of market risk management is to control the exposure to a market risk within acceptable limits while optimizing revenues.

① Currency risk

Sales presented in currencies other than Korean won which is the functional currency of the Consolidated Entity are exposed to a currency risk. Main currencies to present these transactions are USD, CNY, etc.

② Interest rate risk

The Consolidated Entity establishes and fulfills the annual funds balance plan as part of efforts to minimize the interest burden incidental to an increasing scale of adjustable rate financial liabilities.

(2) Credit risk

① Exposure to credit risk

The book value of financial assets represents the maximum level of exposure to a credit risk. The Consolidated Entity deposits cash and cash equivalents in banks with a high credit rating, so the risk from banks is limited.

The Consolidated Entity’s maximum level of exposure to a credit risk is as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Cash and cash equivalents	26,004,485	42,788,254
Short-term financial instruments	65,377,446	-
Financial assets measured at fair value through profit or loss	20,198,635	5,125,081
Accounts receivable and other receivables	8,003,983	2,115,902
Long-term financial instruments	331,655	297,208
Other current financial assets	2,076,639	905,864
Other non-current financial assets	1,038,004	1,894,439
Total	123,030,847	53,126,748

② Impairment loss

The ages of accounts receivable and other receivables as of the end of reporting period and expected credit losses by ages are as follows.

(Unit: thousand won)

Classification	End of 2022		End of 2021	
	Receivable balance	Expected credit losses	Receivable balance	Expected credit losses
≤6 months	8,114,493	(129,819)	2,163,870	(49,572)
>6 months ~≤12 months	38,841	(27,780)	70,403	(40,015)
≥1 year	47,470	(39,222)	92,544	(92,544)

Total	8,200,804	(196,821)	2,326,817	(182,131)

The changes in the allowance for loss on financial assets are as follows.

(Unit: thousand won)

Classification	2022	2021
Beginning balance	177,096	346,870
Setting amount	19,725	(101,200)
Eliminated	-	(68,574)
Ending balance	196,821	177,096

(3) Liquidity risk

The contractual maturities of financial liabilities held by the Company are as follows. The amounts include the interest paid and do not include the effects of offset arrangements.

① End of 2022

(Unit: thousand won)

Classification	Book value	Contractual cash flows	≤6 months	6~≤12 months	≤1~2 years	> 2 years
Accounts payable and other payables	2,124,969	2,124,969	2,124,969	-	-	-
Borrowings	66,800,000	70,735,094	2,167,003	2,155,959	4,257,778	62,154,354
Other current financial liabilities	5,465,275	5,465,275	5,465,275	-	-	-
Lease liabilities	557,303	576,634	324,667	251,967	-	-
Other non-current financial liabilities	690,712	690,712	-	-	-	690,712
Non-current lease liabilities	541,314	556,021	-	-	298,055	257,966
Total	76,179,573	80,148,705	10,081,914	2,407,926	4,555,833	63,103,032

② End of 2021

(Unit: thousand won)

Classification	Book value	Contractual cash flows	≤6 months	6~≤12 years	≤1~2 years	>2 years
Accounts payable and other payables	1,762,683	1,762,683	1,762,683	-	-	-
Borrowings	35,000,000	37,816,398	480,361	483,217	966,000	35,886,820
Other current financial liabilities	980,208	980,208	980,208	-	-	-
Lease liabilities	514,155	527,500	274,020	253,480	-	-
Other non-current financial liabilities	178,000	178,000	-	-	-	178,000
Non-current lease liabilities	291,450	295,300	-	-	259,300	36,000
Total	38,726,496	41,560,089	3,497,272	736,697	1,225,300	36,100,820

(4) Currency risk

① Exposure to currency risk

The Consolidated Entity's level of exposure to currency risk is as follows.

(Unit: thousand won)

Classification	End of 2022				End of 2021			
Currency	USD	CNY	EUR	Others	USD	CNY	EUR	Others
Cash and cash equivalents	21,940,209	366,263	19,919	26,335	34,041,852	400,189	391,567	6,426
Accounts receivable and other receivables	5,196,189	-	-	-	1,392,344	-	-	-
Total exposure	27,136,398	366,263	19,919	26,335	35,434,196	400,189	391,567	6,426

② Sensitivity analysis

In the event of exchange rate fluctuations against major foreign currencies that consist of financial assets and financial liabilities of the Consolidated Entity, the Company's gain or loss will increase or decrease. The sensitivity analysis below assumes exchange rate fluctuations occurred to the extent that the Company deems reasonably possible at the end of the reporting period, and also assumes that other variables such as interest rate, etc. are not changed. Analysis was conducted in the previous year in the same way and the specific changes in gain or loss are as follows.

(Unit: thousand won)

Currency	End of 2022			End of 2021		
	Reference exchange rate	10% increase	10% decrease	Reference exchange rate	10% increase	10% decrease
USD	1,267.30	2,713,640	(2,713,640)	1,185.50	3,543,420	(3,543,420)
CNY	181.44	36,626	(36,626)	186.26	40,019	(40,019)
EUR	1,351.20	1,992	(1,992)	1,342.34	39,157	(39,157)
HKD	162.55	-	-	152.03	266	(266)
SGD	943.11	-	-	877.14	154	(154)
GBP	1,527.67	-	-	1,600.25	222	(222)
AUD	858.41	2,634	(2,634)	858.89	-	-
Total		2,754,891	(2,754,891)		3,623,238	(3,623,238)

36. Financial instruments

(1) The book value of financial assets by categories is as follows.

① End of 2022

(Unit: thousand won)

Classification	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss	Total
Cash and cash equivalents	26,004,485	-	26,004,485
Short-term financial instruments	65,377,446	-	65,377,446
Financial assets measured at fair value through profit or loss	-	20,198,635	20,198,635
Accounts receivable and other receivables	8,003,983	-	8,003,983
Long-term financial instruments	331,655	-	331,655
Other current financial assets	2,076,639	-	2,076,639
Other non-current financial assets	1,038,004	-	1,038,004
Total	102,832,212	20,198,635	123,030,847

② End of 2021

(Unit: thousand won)

Classification	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss	Total
Cash and cash equivalents	42,788,254	-	42,788,254
Short-term financial instruments	-	-	-
Financial assets measured at fair value through profit or loss	-	5,125,081	5,125,081
Accounts receivable and other receivables	2,115,902	-	2,115,902
Long-term financial instruments	297,208	-	297,208
Other current financial assets	905,864	-	905,864
Other non-current financial assets	1,894,439	-	1,894,439
Total	48,001,667	5,125,081	53,126,748

(2) The book value of financial liabilities by categories is as follows.

① End of 2022

(Unit: thousand won)

Classification	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through profit or loss	Total
Accounts payable and other payables	2,124,969	-	2,124,969
Borrowings	66,800,000	-	66,800,000
Other financial liabilities	5,465,275	-	5,465,275
Lease liabilities	557,303	-	557,303
Other non-current financial liabilities	690,712	-	690,712
Non-current lease liabilities	541,314	-	541,314
Total	76,179,573	-	76,179,573

② End of 2021

(Unit: thousand won)

Classification	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through profit or loss	Total
Accounts payable and other payables	1,762,683	-	1,762,683
Borrowings	35,000,000	-	35,000,000
Other financial liabilities	980,208	-	980,208
Lease liabilities	514,155	-	514,155
Other non-current financial liabilities	178,000	-	178,000
Non-current lease liabilities	291,450	-	291,450
Total	38,726,496	-	38,726,496

(3) Gains or losses of financial assets and financial liabilities by categories are as follows.

① 2022

(Unit: thousand won)

Classification	Financial instruments measured at	Financial instruments measured at fair value through	Total

	amortized cost	current profit or loss	
Financial assets			
Gain (loss) on valuation of financial assets measured at fair value through profit or loss	-	149,849	149,849
Interest revenues	772,115	-	772,115
Gain on foreign currency transaction	734,308	-	734,308
Gain on foreign currency translation	879,062	-	879,062
Loss on foreign currency transaction	(775,686)	-	(775,686)
Loss on foreign currency translation	(1,241,386)	-	(1,241,386)
Reversal of depreciation	(19,725)	-	(19,725)
Financial liabilities			
Interest expenses	(2,609,848)	-	(2,609,848)

② 2021

(Unit: thousand won)

Classification	Financial instruments measured at amortized cost	Financial instruments measured at fair value through current profit or loss	Total
Financial assets			
Gain (loss) on valuation of financial assets measured at fair value through profit or loss	-	164,764	164,764
Interest revenues	57,275	-	57,275
Gain on foreign currency transaction	259,497	-	259,497
Gain on foreign currency translation	3,729,897	-	3,729,897
Loss on foreign currency transaction	(272,614)	-	(272,614)
Loss on foreign currency translation	(1,480)	-	(1,480)
Depreciation	101,200	-	101,200
Financial liabilities			
Interest expenses	(93,054)	-	(93,054)

37. Lease

(1) The details of lease liabilities and right-of-use assets are as follows.

(Unit: thousand won)

Classification	End of 2022	End of 2021
Lease liabilities		

Current	557,303	514,155
Non-current	541,314	291,450
Right-of-use assets	-	
Acquisition cost	1,905,600	1,151,357
Accumulated depreciation	(814,956)	(350,614)
Book value	1,090,644	800,743

(2) The changes in the book value of right-of-use assets are as follows.

① End of 2022

(Unit: thousand won)

Classification	Buildings	Vehicles	Total
Beginning balance	800,743	-	800,743
Acquisition cost	319,040	572,653	891,693
Depreciation	(559,632)	(42,160)	(601,792)
Ending balance	560,151	530,493	1,090,644

② End of 2021

(Unit: thousand won)

Classification	Buildings	Total
Beginning balance	384,945	384,945
Acquisition cost	848,304	848,304
Depreciation	(414,393)	(414,393)
Contract termination, etc.	(18,113)	(18,113)
Ending balance	800,743	800,743

(3) The amounts of gain or loss related to right-of-use assets and lease liabilities are as follows.

(Unit: thousand won)

Classification	2022	2021
Depreciation	601,792	414,393
Interest expenses on lease liabilities	20,042	13,657
Short-term rent (≤1 year)	14,410	1,310
Rent for low-value assets, not short-term lease	66,047	58,445

(4) Operating lease arrangement - lessor

① The Company is currently in an operating lease agreement as it succeeded to a lease contract for the facility purchased for the purposes of manufacturing and main office relocation as of the end of the reporting period, and the contract is terminated in November 2025. A plan to collector future minimum rent according to this contract is as follows.

(Unit: thousand won)

Classification	2022.12.31		
	≤1 year	>1~2 years	>2~3 years
Lease contract	1,314,124	344,960	135,743

② Rent revenue recognized during 2022 in relation to this operating lease is 2,151,722 thousand won.

38. Related party

(1) The status of related party is as follows.

Classification	Name of related party	
	End of 2022	End of 2021
CEO	Seung Han Baek	Sung Jae Jung

(2) Main transactions between the parent company and subsidiaries are derecognized during the consolidation and not announced in Note. There is no transaction between the Consolidated Entity and other related parties.

(3) The details of compensation of major management members are as follows.

(Unit: thousand won)

Classification	2022	2021
Short-term employee benefits	1,335,694	1,721,367
Retirement benefits	201,216	143,911
Total	1,536,910	1,865,278

(4) There is no allowance for bad debts set for the related party's receivables as of the reporting period end date and no bad debt expenses recognized during the reporting period.

(5) There is no payment guarantee provided to the related party by the Consolidated Entity or provided to the Consolidated Entity as of the reporting period end date.

39. Cash flow-related information

(1) Cash and cash equivalents are managed to have the amounts in the statements of financial position and cash flows matched.

(2) Adjustments for net income are as follows:

(Unit: thousand won)

Classification	2022	2021
Income tax expenses	21,379,789	11,819,912
Interest revenues	(772,115)	(57,275)
Interest expenses	2,609,848	93,054
Gain on foreign currency translation	(879,062)	(3,729,897)
Loss on foreign currency translation	1,241,386	1,480
Gain on valuation of financial assets measured at fair value through profit or loss	(198,635)	(164,764)
Loss on valuation of financial assets measured at fair value through profit or loss	48,786	-
Loss on disposition of tangible assets	51,327	31,758
Gain on disposition of tangible assets	(30,338,624)	(7,175)
Bad debt expense	19,725	(101,200)
Warranty expense	1,159,753	513,264
Depreciation	3,213,442	2,350,219
Depreciation of investment properties	523,289	65,245
Amortization of intangible assets	162,963	107,551
Loss on valuation of inventories	104,315	126,502
Total	(1,673,813)	11,048,674

(3) The details of increase or decrease in assets or liabilities from operating activities are as follows.

(Unit: thousand won)

Classification	2022	2021
Decrease (increase) in accounts receivable	(4,927,046)	1,433,341
Decrease (increase) in other current receivables	(709,172)	43,836
Decrease (increase) in other current assets	3,011,182	(5,205,359)
Decrease (increase) in inventories	(7,786,433)	(7,094,042)
Increase (decrease) in accounts payable	(557,452)	470,567
Increase (decrease) in other payables	880,399	413,373

Increase (decrease) in other current liabilities	3,666,405	324,956
Total	(6,422,117)	(9,613,328)

(4) Changes in liabilities from financial activities

① 2022

(Unit: thousand won)

Classification	Beginning balance	Financial cash flow	Non-cash transactions				Ending balance
			New	Gain (loss) on translation	Amortization, etc.	Interest expense	
Long-term borrowings	35,000,000	31,800,000	-	-	(2,400,000)	-	64,400,000
Current portion of long-term borrowings	-	-	-	-	2,400,000	-	2,400,000
Increase in deposits received	382,800	865,687	-	-	-	-	1,248,487
Lease liabilities	805,605	(618,723)	891,693	-	-	20,042	1,098,617
Total	36,188,405	32,046,964	891,693	-	-	20,042	69,147,104

② 2021

(Unit: thousand won)

Classification	Beginning balance	Financial cash flow	Non-cash transaction				Ending balance
			New	Gain (loss) on translation	Amortization, etc.	Interest expense	
Long-term borrowings	-	35,000,000	-	-	-		35,000,000
Deposits received	-	382,800	-	-	-		382,800
Lease liabilities	387,134	(425,376)	830,190	-	-	13,657	805,605
Total	387,134	34,957,424	830,190	-	-	13,657	36,188,405

(5) Important matters during the transactions without cash inflow or outflow

(Unit: thousand won)

Classification	2022	2021
Reclassification of current portion of other financial assets	-	577,000
Reclassification of tangible assets-construction in progress	16,163,603	2,764,650
Reclassification of intangible assets in construction	405,237	-
Reclassification of investment properties-construction in progress	46,879,897	-
Reclassification of investment properties-land to tangible assets	19,445,702	-
Reclassification of investment properties-buildings to tangible assets	8,961,888	-
Reclassification of current portion of deposit for rent	863,000	-
Reclassification of current portion of borrowings	2,400,000	-
Recognized amount of right-of-use assets and lease liabilities	891,693	848,304

Reclassification of current portion of lease liabilities	661,872	723,952
Reclassification of current portion of tenancy deposit	352,975	-
Succession of tenancy deposit upon the acquisition of investment properties	1,407,281	-

40. Contingent liabilities

(1) The details of payment guarantee provide from other entities are as follows.

(Unit: thousand won)

Provider	Guarantee type	Guarantee amount
Seoul Guarantee Insurance Company	Payment guarantee	1,078,160
	Maintenance guarantee	14,300
	Tender guarantee	2,400
	Performance guarantee	3,900
Korea Trade Insurance Corporation	Short-term export-credit insurance	$1,000,000

(2) There is one pending litigation against the non-payment of accrued receivables as of the end of December 2022 and this case is not reflected in the consolidated financial statements since the winning of the case is confirmed as of the date on which the report is submitted, but the potential inflow of future economic benefits is unpredictable.