

KCI Co., Ltd.

Financial statements
for the year ended December 31, 2023
with the independent auditor's report

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Independent auditor's report on internal control over financial reporting

Management's report on the effectiveness of internal control over financial reporting

Independent auditor's report

(English translation of a report originally issued in Korean)

The Shareholders and Board of Directors KCI Co., Ltd.

Opinion

We have audited the financial statements of KCI Co., Ltd. (the Company), which comprise the statement of financial position as of December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of KCI Co., Ltd. as of December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

We have audited the Company's internal control over financial reporting ("ICFR") as of December 31, 2023 based on the Conceptual Framework for Design and Operation of ICFR established by the Operating Committee of ICFR in Korea, in accordance with Korean Standards on Auditing ("KSA"), and our report dated March 8, 2024 expressed an unqualified opinion thereon.

Basis for opinion

We conducted our audit in accordance with KSA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

A key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter. For each matter below, our description of how our audit addressed the matter is provided in that context.

Impairment testing of cash generating units to which goodwill has been allocated

- Reason for determination as a key audit matter

As of December 31, 2023, the carrying amount of the Company's goodwill is KRW 1,032,716 thousand. As noted in Note 10, the Company has conducted an impairment test on the cash-generating units to which goodwill was allocated, using the value in use based on the discounted cash flow method. The impairment test of cash-generating units to which goodwill was allocated involves management's significant judgment and estimates, such as the projections of future cash flows and the discount rate. These factors were considered in determining the impairment test of cash-generating units to which goodwill was allocated as a key audit matter.

- How the key audit matter was addressed in the audit

The primary audit procedures we performed are as follows:

- Understand and assess the internal controls related to the impairment testing process.
- Assess the independence and competence of the external experts used by management.
- Evaluate the appropriateness of the valuation model used by management in estimating the value in use.
- Compare the discount rate used by management in estimating value in use with observable information.
- Verify the consistency of the projections of cash-generating unit's sales growth rate, operating profit margin, and investment activity with past performance and market conditions.
- Compare the future cash flows used in estimating value in use with those presented in the business plans approved by management.
- Perform independent recalculation and verify the impairment testing report.

Other matter

The financial statements as of and for the year ended December 31, 2022 were audited by Samil PricewaterhouseCoopers, whose report dated March 10, 2023 expressed an unqualified opinion thereon.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with KIFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jun Mo Son.



March 8, 2024

This audit report is effective as of March 8, 2024, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

KCI Co., Ltd.

Financial statements
for each of the two years in the period ended December 31, 2023

“The accompanying financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Company.”

Jin Yong, Lee
Chief Executive Officer
KCI Co., Ltd.

KCI Co., Ltd.
Statements of financial position
as of December 31, 2023 and 2022

(in Korean won)

	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	5,15,32	₩ 8,111,614,886	₩ 13,284,829,890
Trade and other current receivables	5,7,30,32	18,174,877,292	18,070,590,888
Other current financial assets	5,6	19,051,526,367	4,461,094,507
Inventories	14,16	25,543,926,993	38,182,382,494
Assets to be sold	11	41,328,733	-
Other current assets	12	335,353,332	377,627,168
		₩ 71,258,627,603	₩ 74,376,524,947
Non-current assets			
Long-term Other receivables	5,7	₩ 21,536,000	₩ 26,826,000
Property, plant and equipment	8,9	43,346,345,471	45,172,455,973
Goodwill	10	1,032,715,991	1,032,715,991
Intangible assets other than goodwill	10	1,355,001,503	1,501,487,035
Investment property	11	1,211,844,634	
Investments in affiliated companies	13	841,656,392	681,858,120
Deferred tax assets	25	238,092,117	338,168,301
		48,047,192,108	48,753,511,420
Total assets		₩ 119,305,819,711	₩ 123,130,036,367
Liabilities			
Current liabilities			
Trade and other current payables	5,17,30,32	₩ 8,418,812,453	₩ 13,057,098,611
Short-term borrowings	5,19,32	1,000,000,000	
Current portion of long-term borrowings	5,19,32		6,000,000,000
Other current financial liabilities	5,6,9,32	182,532,059	66,869,629
Current tax liabilities		1,304,762,262	3,691,674,744
Other current liabilities	18	1,644,173,353	1,881,730,248
		₩ 12,550,280,127	₩ 24,697,373,232
Non-current liabilities			
Other non-current financial liabilities	5,9,32	₩ 169,300,433	₩ 133,712,331
Other non-current liabilities	18	159,317,661	112,748,402
		328,618,094	246,460,733
Total liabilities		₩ 12,878,898,221	₩ 24,943,833,965
Equity			
Issued capital	26	₩ 5,635,000,000	₩ 5,635,000,000
Capital surplus	28	6,741,615,790	6,741,615,790
Other Comprehensive income/loss accumulated amount	25,28	(235,729,981)	(166,116,511)
Retained earnings	27	98,468,282,346	90,157,949,788
Other capital	28	(4,182,246,665)	(4,182,246,665)
Total equity		106,426,921,490	98,186,202,402
Total equity and liabilities		₩ 119,305,819,711	₩ 123,130,036,367

The accompanying notes are an integral part of the financial statements.

KCI Co., Ltd.
Statements of comprehensive income
for each of the two years in the period ended December 31, 2023

<i>(in Korean won)</i>	Notes	2023	2022
Revenue(Sales)	4,30	₩ 109,946,107,606	₩ 109,605,027,221
Cost of sales	22,30	82,440,247,155	70,717,518,531
Gross profit		27,505,860,451	38,887,508,690
Selling general administrative expenses	21,22	17,234,038,277	17,010,226,333
Operating income		10,271,822,174	21,877,282,357
Finance income	5,24	1,329,328,615	785,045,476
Finance costs	5,24	1,369,788,498	1,398,349,412
Share of profit of associates	13	252,603,253	102,486,604
Other gains	5,23	5,428,544,052	6,186,544,781
Other losses	5,23	2,570,449,142	4,852,127,037
Profit before income tax		13,342,060,454	22,700,882,769
Tax expense	25	2,341,677,896	4,884,573,116
Profit		₩ 11,000,382,558	₩ 17,816,309,653
Other comprehensive income	25,28		
<i>Items that can be subsequently reclassified to profit or loss</i>			
Equity adjustments using equity method		₩ (69,613,470)	₩ (50,708,166)
Other comprehensive loss for the year, net of tax		(69,613,470)	(50,708,166)
Total comprehensive income for the year		₩ 10,930,769,088	₩ 17,765,601,487
Earnings per share	29		
Basic earnings per share		₩ 1,022	₩ 1,656
Diluted earnings per share		1,022	1,656

The accompanying notes are an integral part of the financial statements.

KCI Co., Ltd.

Statements of changes in equity

for each of the two years in the period ended December 31, 2023

(in Korean won)

	Share capital	Capital surplus	Accumulated other comprehensive income	Retained earnings	Other capital	Total Equity
Balance as of January 1, 2022	₩ 5,635,000,000	₩ 6,741,615,790	₩ (115,408,345)	₩ 74,493,680,135	₩ (4,182,246,665)	₩ 82,572,640,915
Profit for the year	-	-	-	17,816,309,653	-	17,816,309,653
Equity adjustments using equity method	-	-	(50,708,166)	-	-	(50,708,166)
Dividends paid	-	-	-	(2,152,040,000)	-	(2,152,040,000)
Balance as of December 31, 2022	<u>₩ 5,635,000,000</u>	<u>₩ 6,741,615,790</u>	<u>₩ (166,116,511)</u>	<u>₩ 90,157,949,788</u>	<u>₩ (4,182,246,665)</u>	<u>₩ 98,186,202,402</u>
Balance as of January 1, 2023	₩ 5,635,000,000	₩ 6,741,615,790	₩ (166,116,511)	₩ 90,157,949,788	₩ (4,182,246,665)	₩ 98,186,202,402
Profit for the year	-	-	-	11,000,382,558	-	11,000,382,558
Equity adjustments using equity method	-	-	(69,613,470)	-	-	(69,613,470)
Dividends paid	-	-	-	(2,690,050,000)	-	(2,690,050,000)
Balance as of December 31, 2023	<u>₩ 5,635,000,000</u>	<u>₩ 6,741,615,790</u>	<u>₩ (235,729,981)</u>	<u>₩ 98,468,282,346</u>	<u>₩ (4,182,246,665)</u>	<u>₩ 106,426,921,490</u>

The accompanying notes are an integral part of the financial statements.

KCI Co., Ltd.**Statements of cash flows****for each of the two years in the period ended December 31, 2023***(in Korean won)*

	Note	2023	2022
Cash flows from operating activities			
Cash flow generated from operations	31	₩ 23,429,429,866	₩ 16,503,757,981
Interest paid		(111,791,741)	(60,780,019)
Interest received		391,807,245	56,711,625
Dividends received		52,182,360	56,292,300
Income taxes paid		(4,657,505,043)	(3,552,918,926)
Net cash flows provided by operating activities		<u>₩ 19,104,122,687</u>	<u>₩ 13,003,062,961</u>
Cash flows from investing activities			
Increase in other current financial assets		₩ (15,000,000,000)	₩ (2,000,000,000)
Decrease in guarantee deposits		2,890,000	250,200,000
Proceeds from sales of property, plant and equipment		3,380,200,000	894,800,000
Proceeds from assets held for sale		7,500,000	-
Increase in guarantee deposits		(15,200,000)	(137,720,000)
Purchase of property, plant and equipment		(5,057,746,064)	(7,815,857,775)
Net cash flows used in investing activities		<u>₩ (16,682,356,064)</u>	<u>₩ (8,808,577,775)</u>
Cash flows from financing activities			
Proceeds from long term borrowings		₩ -	₩ 5,000,000,000
Decrease in long-term borrowings		(5,000,000,000)	-
Repayment of short-term loans			
Payment of dividends	27	(2,690,050,000)	(2,152,040,000)
Decrease in lease liabilities	9	(95,758,217)	(115,086,006)
Net cash flows provided by (used in) financing activities		<u>₩ (7,785,808,217)</u>	<u>₩ 2,732,873,994</u>
Net increase (decrease) in cash and cash equivalents		₩ (5,364,041,594)	₩ 6,927,359,180
Cash and cash equivalents as of January 1, 2023		13,284,829,890	6,272,439,644
Effects of exchange rate changes on cash and cash equivalents		190,826,590	85,031,066
Cash and cash equivalents as of December 31, 2023	15,31	<u>₩ 8,111,614,886</u>	<u>₩ 13,284,829,890</u>

The accompanying notes are an integral part of the financial statements

KCI Co., Ltd.

Notes to the financial statements

December 31, 2023 and 2022

1. General Information

KCI Co., Ltd. (hereinafter referred to as "the Company") was established on February 10, 1985 (converted to a corporation on July 13, 1991) and is engaged in the manufacture and sale of raw materials essential for the production of shampoo, hair care products, and nail polish. The Company relocated its headquarters and factory to 221 Daejuk 1-ro, Daesan-eup, Seosan-si, Chungcheongnam-do in 2009, and its factory in Siheung-si, Gyeonggi-do is being utilized as a second factory. In addition, there is a research institute in charge of research and development located at Gasan Hanwha Biz Metro 2nd Complex, 43-14, Gasan Digital 2-ro, Geumcheon-gu, Seoul.

On January 3, 2001, the Company was listed on the Korea Securities Dealers Automated Quotations (KOSDAQ) market, which was established by the Korea Financial Investment Association.

As of December 31, 2023, the Company's capital stock is 5,635 million won, and the largest shareholder, Samyang Corporation, owns 50.02% of the Company.

2. Material Accounting Policies

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

2.1 Basis of Preparation

The Company prepares statutory financial statements in Korean in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS"), enacted by the Act on External Audit of Stock Companies. The accompanying financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

The Company's financial statements have been prepared based on historical cost, except for certain financial assets and financial liabilities (including derivatives).

The preparation of financial statements in accordance with KIFRS allows management to use material accounting estimates and requires management judgment in applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are material to the financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and Amended Standards and Interpretations

The Company has applied for the first time the standards and amendments that are effective for fiscal years beginning on or after January 1, 2023. The Company has not early adopted any standards, interpretations, or amendments that have been issued but are not yet effective.

(a) KIFRS 1117 Insurance Contracts

KIFRS 1117 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. KIFRS 1117 replaces KIFRS 1104

KCI Co., Ltd.
Notes to the financial statements
December 31, 2023 and 2022

Insurance Contracts. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. KIFRS 1117 is based on a general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach mainly for short-duration contracts (the premium allocation approach).

The new standard had no impact on the Company's financial statements.

(b) Definition of Accounting Estimates - Amendments to KIFRS 1008

The amendments to KIFRS 1008 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's financial statements.

(c) Disclosure of Accounting Policies - Amendments to KIFRS 1001

The amendments to KIFRS 1001 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

(d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to KIFRS 1012

The amendments to KIFRS 1012 *Income Taxes* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no material impact on the Company's financial statements.

(e) International Tax Reform—Pillar Two Model Rules – Amendments to KIFRS 1012

The amendments to KIFRS 1012 have been introduced in response to the OECD's BEPS Pillar Two Model Rules and include:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules; and

KCI Co., Ltd.
Notes to the financial statements
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- disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately.

The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

The amendments had no impact on the Company's financial statements as the Company is not in scope of the Pillar Two Model Rules as its revenue is less than EUR 750 million/year.

2.2.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

(a) Amendments to KIFRS 1116: Lease Liability in a Sale and Leaseback

The amendments to KIFRS 1116 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of KIFRS 1116. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

(b) Amendments to KIFRS 1001: Classification of Liabilities as Current or Non-current

The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

(c) Supplier Finance Arrangements - Amendments to KIFRS 1007 and KIFRS 1107

The amendments to KIFRS 1007 *Statement of Cash Flows* and KIFRS 1107 *Financial Instruments: Disclosures* clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

2.3 Associates

Associates are entities over which the Company has a significant influence. Significant influence is the capacity to participate in the decision-making process regarding the financial and operating policies of the investee, but it is not control or joint control over those policies.

The Company accounts for its investments in associates using the equity method. Investments in associates are initially recognized at cost, and the carrying amount is adjusted to recognize the Company's share of the post-acquisition changes in the net assets of the associates.

The Company's share of the profit or loss of the associates is directly reflected in the statement of comprehensive income, and changes in other comprehensive income are presented as part of the Company's other comprehensive income. If there are changes directly recognized in the equity of the associates, the Company's share of those changes is reflected in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

After applying the equity method, the Company determines whether it is necessary to recognize any additional impairment loss on its investment in associates. At each reporting date, the Company assesses whether there is objective evidence that the investment in associates has been impaired, and if such evidence exists, the Company recognizes an impairment loss as the difference between the recoverable amount of the investment in associates and its carrying amount in the 'Income from Equity Accounted Investees' line in the statement of comprehensive income.

When the Company loses significant influence over an associate, if there is any remaining interest in the former associate, the Company measures that residual interest at fair value. The difference between the carrying amount of the investment in associates at the time significant influence is lost, and the fair value of the residual interest and the consideration for the disposal is recognized in profit or loss for the period.

2.4 Foreign Currency Translation

(a) Functional and Presentation Currency

The Company measures the items included in the financial statements of each individual entity within the Company using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the South Korean won (KRW), and the financial statements are presented in KRW.

(b) Foreign Currency Transactions and Translation at the Reporting Period End

Foreign currency transactions are recognized in the functional currency using the exchange rate at the date of the transaction or, for re-measured items, at the rate on the date of re-measurement. Exchange differences arising from the settlement of foreign currency transactions or from the translation of monetary foreign currency assets and liabilities are recognized in profit or loss for the period. However, gains and losses arising from items that are part of a net investment in a foreign operation or that are related to the effective portion of cash flow hedges or hedges of net investments that meet the conditions are recognized in other comprehensive income.

Exchange differences arising from non-monetary financial assets and liabilities are considered part of the gain or loss on fair value changes. Exchange differences arising from equity instruments measured at fair value through profit or loss are recognized in profit or loss while those arising from equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

2.5 Financial Assets

(1) Classification

The Company classifies financial assets into the following measurement categories:

- financial assets at fair value through profit or loss (FVTPL);
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets measured at amortized cost

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

Gains or losses on financial assets measured at fair value are recognized in profit or loss or other comprehensive income. Valuation gains or losses of debt instruments are recognized in profit or loss or other comprehensive income depending on the business model for holding the assets. The Company only reclassifies debt instruments when it changes its business model for managing financial assets.

The Company may irrevocably elect at initial recognition to present subsequent changes in fair value of equity instruments that are not held for trading in other comprehensive income. Changes in fair value of equity instruments not elected as such are recognized in profit or loss.

(2) Measurement

The Company measures financial assets at fair value at initial recognition. For financial assets not measured at FVTPL, transaction costs directly related to the acquisition of the financial assets are added to the fair value. Transaction costs of financial assets at FVTPL are expensed in profit or loss.

For a hybrid contract that includes an embedded derivative, the Company considers the entire hybrid contract in its entirety in determining whether the contractual cash flows are solely payments of principal and interest.

KCI Co., Ltd.
Notes to the financial statements
December 31, 2023 and 2022

① Debt Instruments

Subsequent measurement of financial assets is based on the contractual cash flow characteristics and the business model for managing the financial assets. The Company classifies debt instruments into the following three categories:

(a) Assets at Amortized Cost : Assets held within a business model whose objective is to hold assets to collect contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest, are measured at amortized cost. Gains or losses on financial assets measured at amortized cost that are not part of a hedging relationship are recognized in profit or loss when the financial asset is derecognized or impaired. Interest income on these financial assets is recognized using the effective interest method and included in 'Financial Income'.

(b) Assets at FVTOCI : Assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual cash flows that are solely payments of principal and interest, are measured at FVTOCI. Except for impairment losses (reversals), interest income, and foreign exchange gains or losses, the gains or losses on financial assets measured at fair value are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in equity is reclassified to profit or loss. Interest income on these financial assets is recognized using the effective interest method and included in 'Financial Income'. Foreign exchange gains or losses are presented as 'Other Income' or 'Other Expenses', and impairment losses are presented as 'Other Expenses'.

(c) Assets at FVTPL : Debt instruments that are not measured at amortized cost or FVTOCI are measured at FVTPL. Gains or losses on debt instruments at FVTPL not part of a hedging relationship are recognized in profit or loss and presented in the statement of comprehensive income as 'Financial Income' or 'Financial Expenses'.

② Equity Instruments

The Company measures all investments in equity instruments subsequently at fair value. For equity instruments designated as at FVTOCI for long-term or strategic investment purposes, the amounts recognized in other comprehensive income are not reclassified to profit or loss upon derecognition of the equity instruments. Dividend income from such equity instruments is recognized in profit or loss as 'Financial Income' when the Company's right to receive the dividend is established.

Changes in fair value of financial assets at FVTPL are presented in the income statement as 'Financial Income' or 'Financial Expenses'. Impairment losses (reversals) on equity instruments measured at FVTOCI are not recognized as a separate line item.

(3) Impairment

The Company assesses expected credit losses on financial assets measured at amortized cost or at FVTOCI based on forward-looking information. The approach to impairment is determined by whether there has been a significant increase in credit risk. However, for trade receivables and lease receivables, the Company applies a simplified approach, recognizing lifetime expected credit losses from the point of initial recognition of the receivables.

(4) Recognition and Derecognition

Financial assets are recognized or derecognized on the trade date when the purchase or sale of the financial asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset is transferred and the transfer substantially transfers all the risks and rewards of ownership.

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If the Company transfers a financial asset but retains substantially all the risks and rewards of ownership, such as recourse rights in the event of the debtor's default, it does not derecognize the transferred financial asset and continues to recognize the entire transferred asset while recognizing the consideration received as a financial liability. Such financial liabilities are classified in the statement of financial position as 'Borrowings'.

(5) Offsetting of Financial Instruments

Financial assets and liabilities are offset and presented net in the statement of financial position when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. A legally enforceable right to offset must not be contingent on future events and must be enforceable both in the normal course of business and in the event of default, insolvency, or bankruptcy.

2.6 Derivatives

Derivatives are initially recognized at fair value at the time of entering into a derivative contract and are subsequently re-measured at fair value. Fair value changes in derivatives that do not meet the criteria for hedge accounting are recognized in the statement of comprehensive income as 'Financial Income (Expense)' depending on the nature of the transaction.

2.7 Accounts Receivable

Accounts receivable are initially recognized at the unconditional consideration amount when they do not contain a significant financing component, and at fair value when they do. Subsequently, accounts receivable are measured at the amortized cost using the effective interest method, less any provision for impairment.

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is determined using the monthly weighted average method (individual method for goods in transit).

2.9 Property, Plant, and Equipment

Property, plant, and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. The historical cost includes expenditures that are directly attributable to the acquisition of the asset.

Assets, excluding land, are depreciated on a straight-line basis over their estimated useful lives, after deducting the residual value. The estimated useful lives are as follows:

	Useful lives
Buildings	15 to 50 years
Structures	20
Machinery	6
Other tangible assets	6

The depreciation method, residual values, and the useful lives of property, plant, and equipment are reviewed at the end of each fiscal year and adjusted if necessary as changes in estimates.

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2.10 Borrowing Costs

Borrowing costs incurred for the acquisition or construction of qualifying assets are capitalized during the period in which the assets are being prepared for their intended use. Investment income generated from the temporary investment of specific borrowings obtained to acquire qualifying assets is deducted from the capitalizable borrowing costs during the reporting period. Other borrowing costs are recognized as an expense in the period in which they are incurred.

2.11 Government Grants

Government grants are recognized at fair value when there is reasonable assurance that the grant will be received and the conditions attached to the grant will be complied with. Grants related to assets are presented by deducting them from the carrying amount of the assets, while grants related to income are deferred and presented by deducting them from the expenses related to the purpose of the grant.

2.12 Investment Property

Investment property is measured at acquisition cost, which includes the related transaction costs and any alternative costs that meet the asset recognition criteria at the time of occurrence. However, costs incurred during routine management activities are recognized as an expense when they occur. The Company derecognizes investment property from the financial statements when it is disposed of or when it is no longer expected to bring future economic benefits, and any difference between the net disposal proceeds and the carrying amount is reflected in profit or loss at the time of derecognition.

Furthermore, investment property is transferred to or from other accounts only when there is a change in the use of the asset. When investment property is reclassified as owner-occupied property (property, plant, and equipment), the fair value at the time of the change in use is considered the deemed cost. Similarly, when owner-occupied property (property, plant, and equipment) is reclassified as investment property, the property is accounted for as property, plant, and equipment up until the point of change in use.

2.13 Intangible Assets

Goodwill is presented at cost less any accumulated impairment losses. Intangible assets, excluding goodwill, are initially recognized at historical cost and are subsequently presented at cost less accumulated amortization and any accumulated impairment losses.

Development costs of internally generated intangible assets, such as software, are the aggregate of expenditures incurred after the point at which asset recognition criteria have been met, such as the technical feasibility and future economic benefits. Contractual customer relationships are intangible assets acquired through business combinations and are recognized at their fair value on the acquisition date. Membership is not amortized as it does not have a predictable limit on the period of use and therefore is not considered to have a finite useful life. The following intangible asset with finite useful lives is amortized on a straight-line basis over its estimated useful lives:

	Useful lives	Amortization Method
Software	5 years	Straight-line

2.14 Impairment of Non-Financial Assets

An impairment test is performed annually for goodwill and intangible assets with indefinite useful lives, and whenever there are indications of impairment for assets subject to depreciation. Impairment losses are recognized to the extent that the carrying amount exceeds the recoverable amount, which is the higher of the asset's value in use or fair value less costs to sell. For non-financial assets other than goodwill, the possibility of reversing impairment losses is reviewed at the end of each reporting period.

2.15 Trade and Other Payables

Trade and other payables represent liabilities for goods and services that have been received but not yet paid for by the Company as of the end of the reporting period. These liabilities are unsecured and are normally settled within 30 to 90 days after recognition. Trade and other payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. These liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

2.16 Financial Liabilities

(1) Classification and Measurement

The Company's financial liabilities at FVTPL are financial instruments held for trading purposes. Financial liabilities assumed with the intention of repurchasing them in the short term are classified as held for trading. Derivative instruments not designated as hedging instruments and embedded derivatives separated from financial instruments are also classified as held for trading.

All non-derivative financial liabilities, except for financial liabilities at FVTPL, financial guarantee contracts, and financial liabilities arising when the transfer of a financial asset does not meet the derecognition criteria, are measured at amortized cost. These are presented in the statement of financial position as 'Trade and Other Payables', 'Borrowings', etc.

Preferred shares that are mandatorily redeemable on a specific date are classified as liabilities. The interest expense on these preferred shares, calculated using the effective interest rate method, is recognized in the statement of comprehensive income as 'Financial Expense' along with interest expense on other financial liabilities.

(2) Derecognition

Financial liabilities are derecognized from the statement of financial position when the contractual obligations are discharged, cancelled, or expire. The difference between the carrying amount of the financial liability extinguished or transferred to a third party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.17 Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions for warranties, restoration, and litigation are measured at the present value of the expenditures expected to be made to settle the obligations, and the increase in the provision due to the passage of time is recognized as an interest expense.

2.18 Current and Deferred Income Tax

Income tax expense comprises current and deferred tax. Income tax related to items recognized directly in other comprehensive income or equity is recognized in those sections, and all other tax is recognized in profit or loss.

Current income tax expense is measured based on the tax laws enacted or substantively enacted at the end of the reporting period. Management regularly evaluates the Company's tax policies applied in tax filings considering the situations where applicable tax laws may be subject to interpretation and considers the likelihood that the tax authorities will accept the uncertain tax treatments. The Company reflects the impact of uncertainty in measuring income tax using the method that better predicts the resolution of the uncertainty, either the most likely amount or the expected value.

Deferred income tax is recognized for the expected tax effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax assets and liabilities arising from transactions that are not business combinations and at the time of the transaction do not affect accounting profit or taxable income are not recognized.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except where the Company can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority. Current tax assets and liabilities are offset if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.19 Employee Benefits

(1) Retirement Benefits

The Company has adopted a defined contribution pension plan for all employees. Accordingly, the contributions (contributions) that the Company must pay during the reporting period are recognized as retirement benefits (expenses), and no plan assets or defined benefit liabilities are recognized.

(2) Long-term Employee Benefits

The Company provides long-term employee benefits to employees with long-term service. The right to receive these benefits is typically granted only to employees who have worked for a certain period of time. The expected cost of such benefits is recognized over the period of employment using the same accounting methods used for defined benefit pension plans. Actuarial gains and losses arising from changes in actuarial assumptions or differences between actuarial assumptions and actual results are recognized in profit or loss in the period in which they occur.

2.20 Revenue from Contracts with Customers

The Company recognizes revenue when control of the goods or services is transferred to the customer, reflecting the amount to which the Company expects to be entitled in exchange for those goods or services.

(1) Sale of Goods

Revenue from the sale of goods is recognized at the point in time when control of the assets is transferred to the customer. The Company considers whether other promises in the contract are separate performance obligations that require allocation of the transaction price. When determining the sale price of goods, the Company takes into account variable consideration.

(a) Variable Consideration

When a contract includes variable consideration, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods to the customer. The Company includes an estimate of variable consideration in the transaction price at contract inception only to the extent that it is highly probable that a significant reversal of the cumulative revenue recognized will not occur. The Company deducts incentives provided to customers from the transaction price unless they are in exchange for distinct goods or services transferred by the customer to the Company.

(b) Right of Return

The Company recognizes a refund liability and a right to recover goods for products that are expected to be returned by customers after the sale. At the time of sale, the Company predicts the return rate based on cumulative experience at the portfolio level using the expected value method, and the Company's revenue is affected by changes in the estimated return rate.

(c) Principal versus Agent

When the Company sells products and provides shipping services under a contract with a customer, the Company is primarily considered an 'agent' for the shipping services. Revenue from shipping services is recognized on a net basis.

2.21 Leases

(1) Lessor

When the Company is a lessor, lease income from operating leases is recognized on a straight-line basis over the lease term. Direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as lease income. Each leased asset is presented in the statement of financial position based on its nature.

(2) Lessee

The Company leases various properties, vehicles, etc.

Lease contracts may include both lease and non-lease components. The Company allocates the contract consideration based on the relative standalone prices to the lease and non-lease components.

Lease terms are individually negotiated and include various contractual conditions. There are no other restrictions imposed by lease contracts, but leased assets cannot be used as collateral for borrowings.

The Company determines the lease term by including periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The Company calculates the enforceable period by considering the economic penalties for terminating the contract if both the lessee and lessor have the right to terminate the contract without the consent of the other party.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

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- variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments to be made under an extension option are also included in the measurement of the lease liability if the lessee is reasonably certain to exercise that option.

If the interest rate implicit in the lease is readily determinable, that rate is used to discount lease payments. If the interest rate implicit in the lease is not readily determinable, the lessee's incremental borrowing rate is used, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value in a similar economic environment.

The Company determines the incremental borrowing rate as follows:

- if possible, by reflecting changes in the financial position since receiving a third-party financing to the most recent third-party financing interest rate received by the individual lessee;
- for leases held by the Company that have not received third-party financing recently, by using an upward adjustment approach that adds credit risk to the risk-free interest rate; or
- by reflecting specific adjustments related to the lease such as country, currency, collateral, and guarantees.

If an individual lessee can easily observe (through recent financial or market data) the interest rate for a term loan with a similar payment schedule to the lease, the Company uses that interest rate as a starting point when determining the incremental borrowing rate.

The Company is exposed to a potential future increase in variable lease payments that are not included in lease liabilities until the index or rate that the variable lease payment is based on becomes effective. The Company re-measures the lease liability and adjusts the right-of-use asset when the adjustment to the lease payments that depend on an index or rate becomes effective.

Each lease payment is allocated between the reduction of the lease liability and the finance cost. The finance cost is calculated to produce a constant periodic rate of interest on the remaining balance of the liability and is recognized in profit or loss over the lease term.

The right-of-use asset is measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date, less any lease incentives received;
- initial direct costs incurred by the lessee; and
- an estimate of costs for restoration.

The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the lease termination date. If the lessee is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

Lease payments for short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases without a purchase option with a lease term of 12 months or less, and low-value asset leases comprise IT equipment and small office furniture.

(3) Extension Options

The Company includes extension options in many of its real estate lease contracts across the Company. These terms are used to maximize operational flexibility from a contract management perspective. Most of the extension options held are exercisable by the Company, not the lessor.

2.22 Operating Segments

Information by operating segment is disclosed based on the internal reporting provided to the chief operating decision-maker (refer to Note 4). The chief operating decision-maker is responsible for allocating resources to and assessing the performance of the operating segments, and the Company considers the board of directors, which makes strategic decisions, as the chief decision-maker.

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3. Material Accounting Estimates and Assumptions

The preparation of financial statements requires assumptions and estimates about the future, and management must exercise judgment in applying the Company's accounting policies. Estimates and assumptions are continually evaluated based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The results of accounting estimates will rarely equal actual results, therefore they carry significant risks that could necessitate material adjustments.

The following are management judgments, estimates, and assumptions that could affect the adjustments of the carrying amounts of assets and liabilities in the next financial year. Additional information on material judgments and estimates for certain items is included in the individual notes.

(1) Impairment of Goodwill

The recoverable amount of a cash-generating unit for the purpose of assessing whether goodwill is impaired is determined based on the calculation of its value in use (refer to Note 10).

(2) Income Tax

The income tax on the Company's taxable income is calculated by applying the tax laws and decisions of tax authorities of various countries, which introduces uncertainty in determining the final tax effect (refer to Note 25). The Company incurs additional income tax if a certain amount of taxable income is not used for investments, wage increases, etc., over a specific period as prescribed by tax laws. Therefore, the tax effects related to this must be reflected when measuring the current and deferred corporate tax for the period, and the final tax effect is uncertain as the income tax payable by the Company varies depending on the level of investments, wage increases, etc., each year.

(3) Climate-related Risks

The Company considers climate-related risks in its estimates and assumptions. This assessment includes a broad range of impacts that physical risks and transition risks could have on the Company. While the Company believes that its business model and products will continue to be viable after the transition to a low-carbon economy, climate-related risks increase the uncertainty in the estimates and assumptions considered in various items of the financial statements. Even if climate-related risks do not have a significant impact on current measurements, the Company closely monitors climate-related changes and developments, such as new climate-related laws.

4. Operating Segment Information

(1) Identification of Operating Segments

The Company has a single reporting segment as defined by KIFRS 1108 (Operating Segments) at the enterprise-wide level. The segment information for the entire company is as follows:

① Information on Products

(in thousands of Korean won)

	2023		2022	
Merchandise Sales	₩	1,347,727	₩	1,053,801
Product Sales		108,598,381		108,551,226
	₩	<u>109,946,108</u>	₩	<u>109,605,027</u>

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② Information on Geographic Regions

<i>(in thousands of Korean won)</i>	2023		2022	
Domestic Sales	₩	15,488,848	₩	13,805,136
Overseas Sales		94,457,260		95,799,891
	₩	<u>109,946,108</u>	₩	<u>109,605,027</u>

(2) Information on Major Customers

For each of the two years in the period ended December 31, 2023, the following are the single customers that accounted for 10% or more of the Company's sales:

<i>(in thousands of Korean won)</i>	2023		2022	
	Sales	Ratio	Sales	Ratio
Company A	₩ 15,492,165	14.09%	₩ 13,075,578	11.93%
Company B	18,878,480	17.17%	15,678,611	14.30%

5. Categorization of Financial Products

(1) As of December 31, 2023 and 2022, the book value of financial assets is as follows.

(in thousands of Korean won)

The category of the financial asset	Breakdown	2023		2022	
	Cash and cash equivalents	₩	8,111,615	₩	13,284,830
	Trade and other receivables		18,174,877		18,070,591
Financial assets at amortized cost	Other current financial assets		19,000,000		4,000,000
	Other long-term receivables		21,536		26,826
	Sub-total	₩	<u>45,308,028</u>	₩	<u>35,382,247</u>
Derivative Financial Instruments	Other current financial assets		51,526		461,094
Total of the financial assets		₩	<u>45,359,554</u>	₩	<u>35,843,341</u>

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(2) As of December 31, 2023 and 2022, the book value of financial liabilities is as follows.

(in thousands of Korean won)

The category of the financial debt	Breakdown	2023		2022	
	Trade and other payables	₩	8,418,812	₩	13,057,099
	Short-term borrowings		1,000,000		--
	Current portion of long-term borrowings		-		6,000,000
Financial liabilities at amortized cost	Other current financial liabilities		178,502		61,042
	Other non-current financial liabilities		169,300		133,712
	Sub-total	₩	9,766,614	₩	19,251,853
Derivative Financial Instruments	Other current financial liabilities		4,030		5,827
Total of the financial liabilities		₩	9,770,644	₩	19,257,680

(3) Net Income (Loss) by Category of Financial Instruments

(in thousands of Korean won)

in thousands of
Korean won)

	2023								
	Financial assets				Financial Liabilities				Total
	After amortization cost financial assets		Derivative Financial Assets		After amortization cost financial Liabilities		Derivative Financial Liabilities		
Interest income	₩	490,266	₩	-	₩		₩	-	₩ 490,266
Interest expense				-		(108,016)		-	(108,016)
Gain (loss) on foreign currency translation		(105,341)		-		150,234		-	44,893
Gain (loss) on foreign currency transaction		750,829		-		(190,601)		-	560,228
Fair value fluctuations and others (recognized in profit or loss)		-		839,063		-		(1,261,772)	(422,709)
Total	₩	1,135,754	₩	839,063	₩	(148,383)	₩	(1,261,772)	₩ 564,662

(in thousands of
Korean won)

Korean won)	2022									
	Financial assets				Financial Liabilities				Total	
	After amortization cost financial assets		Derivative Financial Assets		After amortization cost financial Liabilities		Derivative Financial Liabilities			
Interest income	₩	108,410	₩	-	₩		₩	-	₩	108,410
Interest expense		-		-		(67,396)		-		(67,396)
Gain (loss) on foreign currency translation		(960,136)		-		783,975		-		(176,161)
Gain (loss) on foreign currency transaction		2,256,837		-		(979,609)		-		1,277,228
Fair value fluctuations and others (recognized in profit or loss)		-		676,636		-		(1,330,953)		(654,317)
Total	₩	1,405,111	₩	676,636	₩	(263,030)	₩	(1,330,953)	₩	487,764

6. The fair value

During the current period, there have been no significant changes in the business and economic environment that affect the fair value of the Company's financial assets and liabilities.

(1) Fair Value by Type of Financial Instrument as of December 31, 2023 and 2022, the book value and fair value of financial instruments are as follows.

(in thousands of Korean won)		2023		2022	
		Book amount	Fair value	Book amount	Fair value
Financial assets					
Derivative products	₩	51,526	₩	51,526	₩ 461,094
Financial liabilities					
Derivative products		4,030		4,030	5,827

Financial instruments for which the book value is a reasonable approximation of fair value have been excluded from the fair value disclosures.

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(2) Fair Value Hierarchy

The fair value measurements of the Company are classified according to the fair value hierarchy, which reflects the significance of the inputs used in measuring fair value. The levels of the fair value hierarchy are as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2023 and 2022, the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis and recognized are as follows.

(in thousands of Korean won)

		2023			
		Level 1	Level 2	Level 3	Total
Derivative Financial Instruments					
Other Current Financial Assets	₩	-	₩ 51,526	₩ -	₩ 51,526
Other Current Financial Liabilities		-	4,030	-	4,030

(in thousands of Korean won)

		2022			
		Level 1	Level 2	Level 3	Total
Derivative Financial Instruments					
Other Current Financial Assets	₩	-	₩ 461,094	₩ -	₩ 461,094
Other Current Financial Liabilities		-	5,827	-	5,827

There have been no changes in the classification levels of financial instruments during the current and previous periods.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period.

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(1) Valuation Techniques and Input Variables

The Company uses the following valuation techniques and input variables for financial instruments classified within level 2 and level 3 of the fair value hierarchy:

- ① The valuation techniques used for measuring fair value at level 2 and the significant unobservable inputs are as follows.

<i>(in thousands of Korean won)</i>		2023		2022	Valuation techniques
Derivative financial assets	₩	51,526	₩	461,094	Discount Rate
Derivative financial liabilities		4,030		5,827	Considering Credit Risk ¹

7. Trade Receivables and Other Receivables

(1) As of December 31, 2023 and 2022, the details of trade receivables and other receivables are as follows.

<i>(in thousands of Korean won)</i>			2023				2022			
		Total Book Amount	Allowance for Doubtful Accounts	Net Book Amount		Total Book Amount	Allowance for Doubtful Accounts	Net Book Amount		
Current										
Trade Receivables	₩	17,441,518	₩ (70,137)	₩ 17,371,381	₩	17,072,86	₩ (73,028)	₩ 16,999,837		
Accounts Receivable		671,208	-	671,208		950,754	-	950,754		
Guarantee deposits		132,288	-	132,288		120,000	-	120,000		
Sub-total	₩	18,245,014	₩ (70,137)	₩ 18,174,877	₩	18,143,619	₩ (73,028)	₩ 18,070,591		
Non-current										
Guarantee deposits	₩	21,536	₩ -	₩ 21,536	₩	26,826	₩ -	₩ 26,826		
	₩	18,266,550	₩ (70,137)	₩ 18,196,413	₩	18,170,445	₩ (73,028)	₩ 18,097,417		

(2) The changes in the allowance for doubtful accounts for trade receivables and other receivables for each of the two years in the period ended December 31, 2023 are as follows.

<i>(in thousands of Korean won)</i>		2023		2022
Beginning Balance	₩	73,028	₩	89
Provision		(75,700)		-
Impairment Losses		72,809		72,939
Ending Balance	₩	70,137	₩	73,028

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8. Tangible Assets

(1) The changes in the Company's tangible assets for each of the two years in the period ended December 31, 2023 are as follows.

(in thousands of
Korean won)

Korean won)		2023																
		Land	Buildings	Structures	Machinery	Vehicles	Right-of-Use Assets	Others	Construction-in progress	Total								
Acquisition Cost																		
Beginning balance	₩	11,581,942	₩	26,526,469	₩	1,604,420	₩	34,607,687	₩	241,605	₩	284,381	₩	4,481,353	₩	902,326	₩	80,230,183
Acquisition¹		-		-		21,000		106,600		-		255,153		40,421		4,363,127		4,786,301
Disposal		(235,500)		(1,360,502)		-		(53,500)		(167,974)		(62,976)		(210,978)		-		(2,091,430)
Other increases and decreases (*)		(225,780)		93,682		79,141		1,984,860		-		-		1,484,117		(5,240,928)		(1,824,908)
Ending balance	₩	11,120,662	₩	25,259,649	₩	1,704,561	₩	36,645,647	₩	73,631	₩	476,558	₩	5,794,913	₩	24,525	₩	81,100,146
Accumulated Depreciation																		
Beginning balance	₩	-	₩	5,609,521	₩	432,698	₩	24,831,862	₩	215,632	₩	91,485	₩	3,795,845	₩	-	₩	34,977,043
Disposal		-		(319,718)		-		(53,496)		(167,250)		(62,976)		(204,933)		-		(808,373)
Depreciation		-		533,141		87,011		2,900,202		11,868		103,865		337,949		-		3,974,036
Other increases and decreases (*)		-		(448,989)		-		-		-		-		-		-		(448,989)
Ending balance	₩	-	₩	5,373,955	₩	519,709	₩	27,678,568	₩	60,250	₩	132,374	₩	3,928,861	₩	-	₩	37,693,717
Government Grants																		
Beginning balance	₩	-	₩	-	₩	-	₩	80,683	₩	-	₩	-	₩	1	₩	-	₩	80,684
Depreciation¹		-		-		-		(20,600)		-		-		-		-		(20,600)
Ending balance	₩	-	₩	-	₩	-	₩	60,083	₩	-	₩	-	₩	1	₩	-	₩	60,084
Net Book Value																		
Beginning balance	₩	11,581,942	₩	20,916,948	₩	1,171,722	₩	9,695,142	₩	25,973	₩	192,896	₩	685,507	₩	902,326	₩	45,172,456
Ending balance		11,120,662		19,885,694		1,184,852		8,906,996		13,381		344,184		1,866,051		24,525		43,346,345

(*) The other increases/decreases include the amount transferred from construction in progress to intangible assets and the amount transferred from land and buildings to investment property.

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		2022									
		Land	Buildings	Structures	Machinery	Vehicles	Right-of-Use Assets	Others	Construction-in progress	Total	
Acquisition Cost											
Beginning balance	₩	8,652,28	₩ 20,342,383	₩ 1,241,317	₩ 32,902,314	₩ 241,605	₩ 325,915	₩ 4,520,23	₩ 7,571,083	₩ 75,797,134	
Acquisition ¹		-	-	-	93,676	-	172,021	92,242	7,801,976	8,159,915	
Disposal		(665,216)	-	-	(1,516,383)	-	(213,555)	(203,555)	(929,393)	(3,528,102)	
Other increases and decreases(*)		3,594,877	6,184,086	363,103	3,128,080	-	-	72,430	(13,541,340)	(198,764)	
Ending balance	₩	11,581,942	₩ 26,526,469	₩ 1,604,420	₩ 34,607,687	₩ 241,605	₩ 284,381	₩ 4,481,353	₩ 902,326	₩ 80,230,183	
Accumulated Depreciation											
Beginning balance	₩	-	₩ 5,128,707	₩ 358,330	₩ 23,697,889	₩ 200,221	₩ 178,558	₩ 3,785,689	₩ -	₩ 33,349,394	
Disposal		-	-	-	(1,516,340)	-	(208,192)	(203,534)	-	(1,928,066)	
Depreciation		-	480,814	74,368	2,650,313	15,411	121,119	213,690	-	3,555,715	
Ending balance	₩	-	₩ 5,609,521	₩ 432,698	₩ 24,831,862	₩ 215,632	₩ 91,485	₩ 3,795,845	₩ -	₩ 34,977,043	
Accumulated Impairment Losses											
Beginning balance	₩	-	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 911,793	₩ 911,793	
Disposal		-	-	-	-	-	-	-	(911,793)	(911,793)	
Other increases and decreases		-	-	-	-	-	-	-	-	-	
Ending balance	₩	-	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	
Government Grants											
Beginning balance	₩	-	₩ -	₩ -	₩ 101,283	₩ -	₩ -	₩ 2,292	₩ -	₩ 103,575	
Depreciation ¹		-	-	-	(20,600)	-	-	(2,291)	-	(22,891)	
Ending balance	₩	-	₩ -	₩ -	₩ 80,683	₩ -	₩ -	₩ 1	₩ -	₩ 80,684	
Net Book Value											
Beginning balance	₩	8,652,281	₩ 15,213,676	₩ 882,987	₩ 9,103,142	₩ 41,384	₩ 147,357	₩ 732,25	₩ 6,659,290	₩ 41,432,372	
Ending balance		11,581,942	20,916,948	1,171,722	9,695,142	25,973	192,896	685,507	902,326	45,172,456	

(*) The other increases/decreases include the amount transferred from construction in progress to intangible assets.

(2) The depreciation details for tangible assets by account category for each of the two years in the period ended December 31, 2023 are as follows.

(in thousands of Korean won)

	2023	2022
Cost of sales	₩ 3,390,588	₩ 3,079,128
Selling, General and Administrative Expenses	562,848	453,696
	₩ 3,953,436	₩ 3,532,824

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9. Lease

The information regarding leases where the Company is the lessee is as follows:

(1) Amounts Recognized in the Statement of Financial Position

The amounts recognized in the statement of financial position related to leases are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Right-of-use assets (*)		
Real estate property	₩ 103,987	₩ -
Vehicles	240,197	192,896
	<u>₩ 344,184</u>	<u>₩ 192,896</u>

(*) Right-of-use assets are included in tangible assets on the balance sheet.

<i>(in thousands of Korean won)</i>	2023	2022
Lease Liabilities (*)		
Current.	₩ 178,502	₩ 61,042
Non-current	169,300	133,712
	<u>₩ 347,802</u>	<u>₩ 194,754</u>

(*) Lease liabilities are included in other current financial liabilities and other non-current financial liabilities on the balance sheet.

(2) Amounts Recognized in the Statement of Comprehensive Income

The amounts recognized in the statement of comprehensive income related to leases are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Depreciation of right-of-use assets.	₩ 103,865	₩ 121,118
Interest income on security deposits	1,036	7,680
Interest expense relating to lease liabilities	19,721	5,687
Expense relating to leases of low-value assets that are not short-term leases	93,277	37,705
Expense relating to variable lease payments not included in lease liabilities	66,131	54,563

The total cash outflow for leases during the current period is ₩ 275 million.

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10. Intangible assets

(1) Changes in the Company's intangible assets for each of the two years in the period ended December 31, 2023 are as follows.

*(in thousands of
Korean won)*

		2023								
		Goodwill		Software		Membership		Intangible Assets Under Development	Total	
Beginning balance	₩	1,032,716	₩	1,000,700	₩	500,787	₩	-	₩	2,534,203
Amortization		-		(264,293)		-		-		(264,293)
Other increases and decreases (*)		-		117,807		-		-		117,807
Ending balance	₩	1,032,716	₩	854,214	₩	500,787	₩	-	₩	2,387,717

(*) The other increases/decreases include the amount transferred from tangible assets.

*(in thousands of
Korean won)*

		2022								
		Goodwill		Software		Membership		Intangible Assets Under Development		Total
Beginning balance	₩	1,032,716	₩	69,549	₩	500,787	₩	982,899	₩	2,585,951
Amortization		-		(250,512)		-		-		(250,512)
Other increases and decreases (*)		-		1,181,663		-		(982,899)		198,764
Ending balance	₩	1,032,716	₩	1,000,700	₩	500,787	₩	-	₩	2,534,203

(*) The other increases/decreases include the amount transferred from tangible assets.

(2) The amortization details for intangible assets by account category for each of the two years in the period ended December 31, 2023 are as follows.

(in thousands of Korean won)

	2023	2022
Cost of sales	₩ 3,400	₩ 1,983
Selling, General and Administrative Expenses	260,893	248,529
	<u>₩ 264,293</u>	<u>₩ 250,512</u>

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(3) Impairment Testing of Goodwill

As of December 31, 2023 and 2022, the details of goodwill are as follows.

<i>(in thousands of Korean won)</i>	2023		2022	
All Business Segments	₩	1,032,716	₩	1,032,716

The Company performs an impairment test annually on the cash-generating units that include goodwill. The recoverable amount of the cash-generating units is determined by discounting the future cash flows that will arise from the continuous use of the cash-generating unit group. The calculation of the use value was based on the following key assumptions:

- Cash flows were estimated based on past experience, actual operating results, and future business plans.
- The future revenue growth rate was determined by analyzing the trend of past average growth rates, and the cash flows beyond the estimation period were estimated assuming a perpetual growth rate of 0%.
- To determine the recoverable amount of the cash-generating unit, a weighted average cost of capital of 7.62% was applied as the discount rate for the cash-generating unit.
- The value derived through the key assumptions reflects the management's assessment of future trends for the cash-generating unit, which is based on external information and internal information (historical past information).

Meanwhile, the impairment test results for the cash-generating units that include goodwill indicated that the recoverable amount exceeded the book value.

11. Investment Property

(1) The changes in the Company's investment property for each of the two years in the period ended December 31, 2023 are as follows.

(in thousands of Korean won)

	2023					
	Land		Buildings		Total	
Beginning balance	₩	-	₩	-	₩	-
Depreciation		-		(4,938)		(4,938)
Other increases and decreases (*1)		225,780		1,032,332		1,258,112
Reclassified as Assets Held for Sale (*2)		(8,385)		(32,944)		(41,329)
Ending balance	₩	217,395	₩	994,450	₩	1,211,845

(*1) The other increases/decreases amount is transferred from tangible assets.

(*2) The Company entered into a contract to sell land and buildings in December 2023. Consequently, investment property amounting to ₩ 41 million has been classified as assets held for sale.

(2) As of December 31, 2023 and 2022, the book value and fair value of the investment property are as follows.

<i>(in thousands of Korean won)</i>	2023		2022	
Book value	₩	1,211,845	₩	-
Fair value (*)		1,775,656		-

(*) The fair value is measured using the officially announced land price and the price index.

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12. Other Assets

As of December 31, 2023 and 2022, the details of other current assets are as follows.
(in thousands of Korean won)

	2023		2022	
Prepayments	₩	107,892	₩	234,809
Prepaid Expenses		75,991		88,771
Accrued Income		151,470		54,047
	₩	<u>335,353</u>	₩	<u>377,627</u>

13. Investment in Associates

(1) As of December 31, 2023 and 2022, the details of investments in associates are as follows.

The name of the company	Location	Principal Business Activities	Year end	Equity Interest	<i>(in thousands of Korean won)</i>			
					Book value			
					2023		2022	
KCI Japan Co., Ltd.	Japan	Wholesale and Retail Trade	December	45%	₩	841,656	₩	681,858
Keonchang Chemical Industry Co., Ltd. (*)	Thailand	Wholesale and Retail Trade	-	49%				
					₩	<u>841,656</u>	₩	<u>681,858</u>

(*) Keonchang Chemical Industry Co., Ltd. has been fully impaired as a discontinued operation, and the application of the equity method has been ceased.

(2) The changes in investments in associates for each of the two years in the period ended December 31, 2023 are as follows.

(in thousands of Korean won)

	2023					
			Equity adjustment under equity method			
	Beginning balance	Gain under equity method		Dividends	Ending balance	
KCI Japan Co., Ltd.	₩ 681,858	₩ 252,603	₩ (40,623)	₩ (52,182)	₩ 841,656	

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(in thousands of
Korean won)

	2022				
	Beginning balance	Gain under equity method	Equity adjustment under equity method	Dividends	Ending balance
KCI Japan Co., Ltd.	₩ 697,978	₩ 102,487	₩ (62,315)	₩ (56,292)	₩ 681,858

(3) As of December 31, 2023 and 2022, the summarized financial information of associate is as follows.

(in thousands of Korean won)

	2023			
	Total Assets	Total Liabilities	Sales	Net Income for the Period
KCI Japan Co., Ltd.	₩ 4,713,885	₩ 2,523,708	₩ 13,194,663	₩ 582,406

(in thousands of Korean won)

	2022			
	Total Assets	Total Liabilities	Sales	Net Income for the Period
KCI Japan Co., Ltd.	₩ 4,546,584	₩ 2,732,580	₩ 12,131,899	₩ 264,014

(4) As of December 31, 2023 and 2022, adjustments of the financial information of material associate to the book value of the Company's interest in the associate are as follows.

(in thousands of
Korean won)

	2023				
	Net Assets	Equity Interest	Share of Net Assets	Intercompany Transactions	Book Value
KCI Japan Co., Ltd.	₩ 2,190,177	45%	₩ 985,579	₩ (143,923)	₩ 841,656

(in thousands of
Korean won)

	2022				
	Net Assets	Equity Interest	Share of Net Assets	Intercompany Transactions	Book Value
KCI Japan Co., Ltd.	₩ 1,814,004	45%	₩ 816,302	₩ (134,444)	₩ 681,858

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14. Inventory Assets

(1) As of December 31, 2023 and 2022, the details of inventory assets are as follows.

<i>(in thousands of Korean won)</i>	2023			2022		
	Acquisition Cost	Valuation Allowance	Book amount	Acquisition Cost	Valuation Allowance	Book amount
Merchandise	₩ 101,670	₩ (26)	₩ 101,644	₩ 62,233	₩ (214)	₩ 62,019
Finished Goods`	16,964,853	(335,960)	16,628,893	21,300,522	(457,702)	20,842,820
Raw Materials	5,656,690	(90,679)	5,566,011	8,843,068	(111,527)	8,731,541
Auxiliary Materials	566,437	(8,087)	558,350	1,146,490	(15,062)	1,131,428
Goods in Transit	2,689,029	-	2,689,029	7,414,574	-	7,414,574
	<u>₩ 25,978,679</u>	<u>₩ (434,752)</u>	<u>₩ 25,543,927</u>	<u>₩ 38,766,887</u>	<u>₩ (584,505)</u>	<u>₩ 38,182,382</u>

(2) The valuation gains and losses recognized in relation to inventory assets for each of the two years in the period ended December 31, 2023 are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Inventory Valuation Loss (Reversal)	₩ (149,752)	₩ 534,854

(3) As of December 31, 2023, the Company's inventories are provided as collateral for borrowings (See Note 16).

15. Cash and Cash Equivalents

As of December 31, 2023 and 2022, the details of cash and cash equivalents are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Demand deposits	₩ 8,111,615	₩ 13,284,830

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16. Contingent and Commitment Matters

(1) The Company has entered into a management consulting contract with Samyang Holdings Corporation and recognizes it as a fee payable.

(2) The Company has entered into forward exchange contracts to hedge against foreign exchange risk.

(3) As of December 31, 2023 and 2022, the details of the assets provided as collateral for the Company's debts are as follows.

(in thousands of
Korean won)

		2023			
	Book amount	Provided to	Related Debt	Debt amounts	Collateral Limit Amount
Inventory assets	₩ 25,543,927	The Export-Import Bank of Korea	Short-term Borrowings	₩ 1,000,000	₩ 15,600,000

(in thousands of
Korean won)

		2022			
	Book amount	Provided to	Related liabilities	Debt amounts	Collateral Limit Amount
Inventory assets	₩ 38,182,382	The Export-Import Bank of Korea	Current Portion of Long-term Debt	₩ 6,000,000	₩ 15,600,000

(4) As of December 31, 2023 and 2022, the major commitment agreements with financial institutions are as follows.

(In thousands of Korean won)	Currency	Financial institution	2023		2022	
			Limit amount	Execution monetary amount	Limit amount	Execution monetary amount
Borrowings.	KRW	The Export-Import Bank of Korea	₩ 12,000,000	₩ 1,000,000	₩ 12,000,000	₩ 6,000,000

(Unit: USD, EUR)	Currency	Financial institution	Committed Amount	
			2023	2022
Derivative Instruments (Currency Forwards)	USD	City Bank	₩ 4,000,000	₩ 5,000,000
	EUR	City Bank	600,000	800,000

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(5) The Company has received guarantees for contract performance and other obligations from Seoul Guarantee Insurance, with an insured amount of ₩11 million. Additionally, the Company has comprehensive property insurance coverage for property, plant and equipment such as buildings.

17. Trade Payable and Other Payables

As of December 31, 2023 and 2022, the details of accounts payable and other liabilities are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Trade Payable	₩ 6,360,499	₩ 10,484,757
Accrued Expenses	2,058,313	2,572,342
	<u>₩ 8,418,812</u>	<u>₩ 13,057,099</u>

18. Other Liabilities

(1) As of December 31, 2023 and 2022, the details of other current liabilities are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Advanced Receipts (*)	₩ 519,872	₩ 488,310
Deposits Received	227,193	139,207
Accrued Expenses	897,108	1,254,213
	<u>₩ 1,644,173</u>	<u>₩ 1,881,730</u>

(*) As of December 31, 2023 and 2022, the contract liabilities arising from contracts with customers amount to KRW 512 million (end of previous period: ₩ 488 million), and are recognized as other liabilities. The revenue recognized in the period ended December 31, 2023 related to contract liabilities carried forward from the previous period is ₩ 488 million.

(2) As of December 31, 2023 and 2022, the details of other non-current liabilities are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Long-term Accrued Expenses	₩ 159,318	₩ 112,748

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19. Borrowings.

(1) As of December 31, 2023 and 2022, the details of short-term borrowings are as follows.

<i>(In thousands of Korean won)</i>	Financial institution	Annual Interest Rate		2023		2022
Revolving Credit Facility (*)	The Export-Import Bank of Korea	4.15%	₩	1,000,000	₩	-

(*) The Company's inventory assets are provided as collateral for borrowings from the Export-Import Bank (refer to note 16).

(2) As of December 31, 2023 and 2022, the details of long-term borrowings are as follows.

<i>(In thousands of Korean won)</i>	Financial institution	Annual Interest Rate		2023		2022	
				Current	Non-current	Current	Non-current
Revolving Credit Facility(*)	The Export-Import Bank of Korea	1.61%	₩	- ₩	- ₩	6,000,000 ₩	-

(3) As of December 31, 2023 and 2022, inventory assets are provided as collateral for the borrowings (refer to note 16).

20. Retirement Benefit Scheme

Regarding the defined contribution scheme, contributions that must be paid to the scheme in exchange for employee services provided over a certain period are recognized in profit or loss for the period, except when they are included in the cost of assets.

The amount recognized as an expense related to the defined contribution scheme during the current period is KRW 936 million (previous period: KRW 811 million).

The Company has entered into retirement pension asset management contracts with Industrial Bank of Korea, Hana Bank, and Korea Investment & Securities, and is making monthly contributions corresponding to the estimated retirement benefit obligations, which are managed according to the choices of the beneficiaries.

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21. Selling and Administrative Expenses

Selling and administrative expenses for each of the two years in the period ended December 31, 2023 are as follows:

(in thousands of Korean won)

	2023	2022
Salaries	₩ 5,261,363	₩ 4,797,480
Retirement benefits	464,107	364,614
Employee welfare	912,904	900,844
Travel	184,295	63,448
Communications	63,681	58,019
Utilities	198	369
Supplies Expense	116,330	177,619
Taxes and Dues	125,738	74,107
Depreciation Expense	567,786	453,696
Amortization of Intangible Assets	260,893	248,529
Repairs and Maintenance	22,308	20,086
Vehicle Expenses	33,288	36,706
Advertising and Promotion	54,815	59,595
Transportation Costs	4,612,203	5,469,849
Commission Fees	3,962,797	3,819,139
Insurance Premiums	224,087	209,784
Rent Expense	128,403	66,728
Sample Expenses	11,000	6,899
Bad Debt Expense	72,809	72,939
Others	155,033	109,776
	<u>₩ 17,234,038</u>	<u>₩ 17,010,226</u>

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22. Classification by Nature of Expenses

The details of expenses (cost of goods sold, selling and administrative expenses) incurred for each of the two years in the period ended December 31, 2023, classified by nature, are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Change in Inventory Assets	₩ 12,638,456	₩ (12,499,902)
Purchases of Raw Materials and Merchandise	53,853,127	62,138,535
Employee Salaries	12,180,097	11,309,795
Depreciation and Amortization	4,222,666	3,783,336
Commission Fees	6,015,503	5,387,829
Subcontracting Costs	1,335,292	932,096
Transportation Costs	4,612,203	5,469,849
Others	4,816,941	11,206,207
	<u>₩ 99,674,285</u>	<u>₩ 87,727,745</u>

23. Other Non-operating Income and Other Non-operating Expenses

The details of other non-operating income and other non-operating expenses for each of the two years in the period ended December 31, 2023 are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Other income		
Gain on foreign currency transaction	₩ 2,138,295	₩ 3,946,525
Gain on Foreign Currency Translation	1,015,803	1,900,443
Gain on Disposal of property, plant and equipment	2,103,191	211,928
Other	171,255	127,649
	<u>₩ 5,428,544</u>	<u>₩ 6,186,545</u>
Other expenses		
Loss on foreign currency transaction	₩ 1,578,066	₩ 2,669,296
Loss on Foreign Currency Translation	970,910	2,076,604
Loss on Disposal of property, plant and equipment	6,049	26
Other	15,424	106,201
	<u>₩ 2,570,449</u>	<u>₩ 4,852,127</u>

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24. Financial Income and Expenses

The details of financial income and financial expenses for each of the two years in the period ended December 31, 2023 are as follows.

(in thousands of Korean won)

	2023		2022	
Financial income				
Interest Income	₩	490,266	₩	108,410
Gain on Derivative transactions		787,536		215,541
Gain on Derivative Valuation		51,526		461,094
	₩	1,329,328	₩	785,045
Financial expenses				
Interest Expense	₩	108,016	₩	67,396
Loss on Derivative transactions		1,257,742		1,325,126
Loss on Derivative Valuation		4,030		5,827
	₩	1,369,788	₩	1,398,349

25. Income Tax Expense

(1) The components of income tax expense for each of the two years in the period ended December 31, 2023 are as follows.

(in thousands of Korean won)

	2023		2022	
Current tax expense	₩	2,295,207	₩	4,852,609
Adjustments Recognized in the Current Period for Prior Periods' Current Tax		(24,614)		(77,357)
Changes in deferred taxes due to temporary difference		100,076		97,715
Total income Tax Expense		2,370,669		4,872,967
Income tax expense directly reflected in equity		(28,991)		11,606
Income tax expense	₩	2,341,678	₩	4,884,573

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(2) The relationship between income tax expense and accounting profit for each of the two years in the period ended December 31, 2023 is as follows.

(in thousands of Korean won)

	2023		2022	
Profit before income tax expense	₩	13,342,060	₩	22,700,883
Income tax expense calculated at the applicable tax rate		2,788,491		5,493,613
Tax effects of:				
Adjustments Recognized in the Current Period for Prior Periods'				
Current Tax		(24,614)		(77,357)
Non-deductible expense		11,114		8,808
Tax credits		(257,003)		(108,424)
Others		(176,310)		(432,067)
Income tax expense	₩	2,341,678	₩	4,884,573
Effective tax rate		17.55%		21.52%

(3) The changes in deferred tax assets (liabilities) for each of the two years in the period ended December 31, 2023 are as follows.

(in thousands of
Korean won)

	2023			
	Beginning balance	Reflected in net income	Reflected in equity	Ending balance
Inventory Assets	₩ 122,745	₩ (31,882)	₩ -	₩ 90,863
Accrued Income	(11,349)	(20,308)	-	(31,657)
Employee Benefit Liabilities	217,016	(85,856)	-	131,160
Investment in Associates	(109,029)	103,592	(28,991)	(34,428)
Derivative Instruments	(778)	778	-	-
Government Grants	16,943	(4,386)	-	12,557
Membership	7,083	(34)	-	7,049
Right-of-Use Assets	(40,508)	(31,426)	-	(71,934)
Lease Liabilities	40,898	31,792	-	72,690
Industrial Property Rights	86,176	(32,573)	-	53,603
Capitalized Repair Costs	8,795	(606)	-	8,189
Other	176	(176)	-	-
	₩ 338,168	₩ (71,085)	₩ (28,991)	₩ 238,092

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(in thousands of Korean won)	2022			
	Beginning balance	Reflected in net income	Reflected in equity	Ending balance
Inventory Assets	₩ 10,923	₩ 111,822	₩ -	₩ 122,745
Accrued Income	(2,206)	(9,143)	-	(11,349)
Employee Benefit Liabilities	184,909	32,107	-	217,016
Investment in Associates	(117,767)	(2,868)	11,606	(109,029)
Derivative Instruments	2,262	(3,040)	-	(778)
Foreign Currency Translation Gains/Losses	(3,170)	3,170	-	-
Government Grants	22,282	(5,339)	-	16,943
Construction in Progress	196,337	(196,337)	-	-
Membership Rights	7,420	(337)	-	7,083
Right-of-Use Assets	767	(41,275)	-	(40,508)
Lease Liabilities	-	40,898	-	40,898
Industrial Property Rights	124,134	(37,958)	-	86,176
Capitalized Repair Costs	9,808	(1,013)	-	8,795
Other	184	(8)	-	176
	₩ 435,883	₩ (109,321)	₩ 11,606	₩ 338,168

(4) As of December 31, 2023 and 2022, the timing of the recovery or settlement of deferred tax assets (liabilities) is as follows.

(in thousands of Korean won)	2023	2022
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 43,834	₩ 102,229
Deferred tax asset to be recovered within 12 months	332,278	397,604
Deferred tax liabilities		
Deferred tax liability to be settled after more than 12 months	(34,428)	(109,029)
Deferred tax liability to be settled within 12 months	(103,592)	(52,636)
Deferred tax assets, net	₩ 238,092	₩ 338,168

(5) The income tax related to items recognized outside of profit or loss for each of the two years in the period ended December 31, 2023 is as follows.

(in thousands of Korean won)	2023			2022		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Equity Method Capital Changes	₩ (40,623)	₩ (28,990)	₩ (69,613)	₩ (62,315)	₩ 11,606	₩ (50,709)

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26. Share Capital

(1) As of December 31, 2023 and 2022, the details of share capital are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Authorized Shares	₩ 40,000,000	₩ 40,000,000
Amount per Share	500	500
Issued Shares	11,270,000	11,270,000
Share Capital	5,635,000,000	5,635,000,000

27. Retained Earnings

(1) The Company is required by the Commercial Act to set aside at least 10% of the cash dividends paid as legal reserve until the reserve reaches 50% of the share capital. This legal reserve cannot be used for cash dividends but can be used for capital transfer or to offset deficits.

(2) As of December 31, 2023 and 2022, the details of the Company's retained earnings are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Legal reserves	₩ 2,896,231	₩ 2,627,226
Discretionary Reserves	84,570,000	69,710,000
Retained earnings before appropriation	11,002,051	17,820,723
	₩ 98,468,282	₩ 90,157,949

(3) The calculation of dividends for each of the two years in the period ended December 31, 2023 is as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Ordinary shares		
Numbers of share for dividend <i>(in shares)</i>	10,760,200	10,760,200
Dividend rate (based on par value)	50%	50%
Dividend amount	₩ 2,690,050	₩ 2,690,050
Dividend Payout Ratio (Cash Dividends / Net Income for the Period)	24.25%	15.10%
Dividend Yield (Dividend per Share / Closing Price on Settlement Date)	3.45%	2.81%

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(4) Details of the statement of retained earnings for each of the two years in the period ended December 31, 2023 are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Unappropriated retained earnings carried over from prior year	₩ 1,668	₩ 4,414
Profit for the year	11,000,383	17,816,309
Retained earnings available for appropriation	11,002,051	17,820,723
Appropriation of retained earnings		
Cash dividends (Dividends (ratio) per share:		
Ordinary share: ₩ 250 (50%) in 2023,	2,690,050	2,690,050
Ordinary share: ₩ 250 (50%) in 2022,		
Legal reserves	-	269,005
Discretionary Reserves	8,310,000	14,860,000
	11,000,050	17,819,055
Unappropriated retained earnings to be carried forward	₩ 2,001	₩ 1,668

28. Capital Surplus, Other Capital, and Accumulated Other Comprehensive Income

As of December 31, 2023 and 2022, the details of capital surplus, other capital, and accumulated other comprehensive income are as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Capital Surplus	₩ 6,741,615	₩ 6,741,615
Share Premium	6,386,010	6,386,010
Gain on Disposal of Treasury Shares	355,605	355,605
Other Capital	(4,182,247)	(4,182,247)
Treasury Shares	(4,182,247)	(4,182,247)
Accumulated Other Comprehensive Income	(235,730)	(166,117)
Equity adjustments under equity method	(235,730)	(166,117)

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29. Earnings per share

(1) The basic earnings per share for each of the two years in the period ended December 31, 2023 are as follows.

<i>(in Korean won)</i>	2023	2022
Profit for the year	₩ 11,000,382,558	₩ 17,816,309,653
Weighted average number of ordinary shares outstanding <i>(in shares) (*)</i>	10,760,200	10,760,200
Basic earnings per share	1,022	1,656

(*) Since there were no changes in the number of issued shares for each of the two years in the period ended December 31, 2023, the weighted average number of preferred shares outstanding is 10,760,200 shares after deducting the number of treasury shares.

(2) The Company has no dilutive potential common shares.

30. Disclosure of Related Parties

(1) Parent Company, etc.

- ① As of December 31, 2023 and 2022, the parent company is Samyang Corporation, and the ultimate controlling company is Samyang Holdings Corporation.
- ② As of December 31, 2023 and 2022, the details of related parties with whom the Company has transactions such as sales and purchases, or balances of receivables and payables, are as follows.

	2023	2022
Ultimate controlling company	Samyang Holdings Co., Ltd.	Samyang Holdings Co., Ltd.
Parent company	Samyang Corporation	Samyang Corporation
Associate	KCI Japan Co., Ltd.	KCI Japan Co., Ltd.
Other related parties	Samyang Data System Co., Ltd. Samyang F&B Co., Ltd.	Samyang Data System Co., Ltd. Samyang F&B Co., Ltd.

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(2) The details of transactions with related parties for each of the two years in the period ended December 31, 2023 as follows.

(in thousands of Korean won)

(in thousands of Korean won)

		2023									
		Operating revenue		Non-operating revenue		Purchases of goods and raw materials.		Acquisition of tangible and intangible assets.		Non-operating expenses	
Ultimate controlling company											
Samyang Holdings Co., Ltd.	₩	-	₩	-	₩	-	₩	-	₩	984,118	
Parent company											
Samyang Corporation.		-		18,590		594,372		-		1,024,760	
Associate.											
KCI Japan Co., Ltd.		9,157,621		-		-		-		-	
Other related party											
Samyang Data System Co., Ltd.		-		-		-		4,037		435,843	
Samyang F&B Co., Ltd.		-		-		-		-		242	
	₩	9,157,621	₩	18,590	₩	594,372	₩	4,037	₩	2,444,963	

(in thousands of Korean won)

(in thousands of Korean won)

		2022									
		Operating revenue		Non-operating revenue		Purchases of goods and raw materials.		Acquisition of tangible and intangible assets.		Non-operating expenses	
Ultimate controlling company											
Samyang Holdings Co., Ltd.	₩	-	₩	-	₩	-	₩	-	₩	643,781	
Parent company											
Samyang Corporation.		-		-		466,930		17,516		1,198,158	
Associate											
KCI Japan Co., Ltd.		8,772,495		-		-		-		-	
Other related party											
Samyang Data System Co., Ltd.		-		-		-		9,167		376,536	
Samyang F&B Co., Ltd.		-		-		-		-		157	
	₩	8,772,495	₩	-	₩	466,930	₩	26,683	₩	2,218,632	

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(3) The details of financial transactions with related parties for each of the two years in the period ended December 31, 2023 are as follows.

(in thousands of Korean won)	Related party.	2023	
		Payment of dividends	Receipt of dividends
Parent company	Samyang Corporation	₩ 1,409,183	₩ -
Associate	KCI Japan Co., Ltd.	-	52,182

(in thousands of Korean won)	Related party.	2022	
		Payment of dividends	Receipt of dividends
Parent company	Samyang Corporation	₩ 1,127,346	₩ -
Associate	KCI Japan Co., Ltd.	-	56,292

(4) As of December 31, 2023 and 2022, the details of receivables and payables to related parties are as follows.

(in thousands of Korean won)

	2023			
	Accounts receivable	Other receivables	Accounts payable	Other payables.
Ultimate controlling company				
Samyang Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ 277,970
Parent company				
Samyang Corporation.	-	16,266	44,352	219,749
Associate				
KCI Japan Co., Ltd.	1,362,158	-	-	-
Other related party				
Samyang Data System Co., Ltd.	-	-	-	31,676
Samyang F&B Co., Ltd.	-	-	-	54
	₩ 1,362,158	₩ 16,266	₩ 44,352	₩ 529,449

(in thousands of Korean won)

	2022			
	Accounts receivable	Other receivables	Accounts payable	Other payables.
Ultimate controlling party				
Samyang Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ 172,604
Parent company				
Samyang Corporation.	-	-	39,940	292,806
Associate company.				
KCI Japan Co., Ltd.	1,898,588	-	-	-
Other related parties.				
Samyang Data System Co., Ltd.	-	-	-	20,784
Samyang F&B Co., Ltd.	-	-	-	30
	₩ 1,898,588	₩ -	₩ 39,940	₩ 486,224

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(5) The details of compensation to key management personnel for each of the two years in the period ended December 31, 2023 are as follows.

(in thousands of Korean won)

	2023	2022
Short-term employee benefits	₩ 528,760	₩ 364,679
Retirement benefits	45,582	43,875
	₩ 574,342	₩ 408,554

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31. Cash Flow Statement

(1) The cash flows generated from operations for each of the two years in the period ended December 31, 2023 are as follows.

(in thousands of Korean won)

	2023		2022	
Profit for the year	₩	11,000,383	₩	17,816,309
Adjustments for:				
Income tax expense		2,341,678		4,884,573
Depreciation		3,958,374		3,532,824
Amortization		264,293		250,512
Allowance for doubtful accounts		72,809		72,939
Loss on foreign currency translation		970,910		2,076,604
Interest expense		108,016		67,396
Foreign exchange gain		(1,015,803)		(1,900,443)
Gain under equity method		(252,603)		(102,487)
Gain on valuation of derivative instruments		(51,526)		(461,095)
Loss on valuation of derivative instruments		4,030		5,827
Gain on disposal of property, plant and equipment		(2,103,191)		(211,928)
Loss on disposal of property, plant and equipment		6,049		26
Interest income		(490,266)		(108,410)
Other (miscellaneous loss)				729
Increase in trade receivable		(740,520)		(1,696,173)
Decrease (increase) in other receivables		279,545		(191,142)
Decrease in other current assets		139,696		485,307
Decrease (increase) in inventories		12,638,456		(12,499,901)
Decrease in derivative		461,095		10,065
Increase (decrease) in trade payable		(3,974,023)		3,753,930
Increase (decrease) in other payables		12,567		(598,993)
Increase (decrease) in other current liabilities		(241,281)		1,224,889
Decrease in derivative liability		(5,827)		(20,348)
Increase in other non-current liabilities		46,569		112,748
Adjustments	₩	12,429,047	₩	(1,312,551)
Cash generated from operations	₩	23,429,430	₩	16,503,758

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(2) Significant non-cash transactions that did not involve inflows or outflows of cash for each of the two years in the period ended December 31, 2023 as follows.

<i>(in thousands of Korean won)</i>	2023	2022
Appropriation to legal reserve	₩ 269,005	₩ 215,204
Appropriation to voluntary reserve	14,860,000	7,790,000
Increase in unpaid capital expenditures for property, plant, and equipment	(526,598)	172,036
Transfer from construction in progress to property, plant, and equipment	5,123,120	14,254,371
Transfer from construction in progress to intangible assets	117,807	198,764
Transfer from development in progress to software	-	982,899
Transfer from property, plant, and equipment to investment property	1,258,112	-
Transfer from investment property to assets held for sale	41,329	-
Replacement of long-term debt with current portion	-	6,000,000
Replacement of current portion of long-term debt with short-term borrowings	1,000,000	-
Right-of-use assets and lease liabilities	255,153	172,021
Replacement of long-term lease liabilities with current portion	213,217	63,530

(3) The changes in liabilities arising from financing activities for each of the two years in the period ended December 31, 2023 are as follows.

<i>(in thousands of Korean won)</i>	2023					
	Cash flows		Non-cash transactions			Ending balance
	Opening balance	from financing activities	New leases	Refinancing or reclassification of debt	Other	
Short-term borrowings	₩ -	₩ -	₩ -	₩ 1,000,000	₩ -	₩ 1,000,000
Current portion of long-term debt	6,000,000	(5,000,000)	-	(1,000,000)	-	-
Lease liabilities	61,043	(95,758)	-	213,217	-	178,502
Long-term lease liabilities	133,712	-	248,805	(213,217)	-	169,300
Unpaid dividends	-	(2,690,050)	-	-	2,690,050	-
	₩ 6,194,755	₩ (7,785,808)	₩ 248,805	₩ -	₩ 2,690,050	₩ 1,347,802

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(in thousands of Korean won)	2022											
	Cash flows				Non-cash transactions				Ending balance			
	Opening balance		Cash flows from financing activities		New leases	Refinancing or reclassification of debt	Other					
Long-term borrowings	₩	1,000,000	₩	5,000,000	₩	-	₩ (6,000,000)	₩	-	₩	-	
Current portion of long-term debt		-		-		-	6,000,000		-		6,000,000	
Lease liabilities		112,599		(115,086)		-	63,530		-		61,043	
Long-term lease liabilities		29,584		-		167,658	(63,530)		-		133,712	
Unpaid dividends		-		(2,152,040)		-	-		2,152,040		-	
	₩	1,142,183	₩	2,732,874	₩	167,658	₩	-	₩	2,152,040	₩	6,194,755

32. Risk management

(1) Capital Risk Management

The Company's capital management aims to maintain its going concern status while minimizing the cost of capital to maximize shareholder value. The Company's management regularly reviews the capital structure and maintains an optimal capital structure through long-term and short-term borrowings and equity financing. The overall policy for capital risk management is consistent with the policy for previous periods. As of December 31, 2023 and 2022, details of the items managed as equity are as follows.

(in thousands of Korean won)	2023		2022	
	₩		₩	
Liabilities	₩	12,878,898	₩	24,943,834
Less: cash and cash equivalents		8,111,615		13,284,830
Net liabilities (A)		4,767,283		11,659,004
Equity (B)		106,426,921		98,186,202
Net debt-to-equity ratio (A/B)		4.48%		11.87%

(2) Financial Risk Management

The Company is exposed to various financial risks related to financial instruments, such as foreign exchange risk, liquidity risk, credit risk, and interest rate risk. The purpose of the Company's risk management is to identify potential risks that could affect the Company's financial performance and to reduce, eliminate, or avoid them to an acceptable level. The Company has established and operates enterprise-wide risk management policies and procedures, with the finance department bearing overall responsibility for risk management. The finance department monitors and manages financial risks related to the Company's operations in accordance with the risk management policies and procedures approved by the board of directors. It also submits periodic internal risk reports analyzing the nature and exposure level of financial risks to the risk management committee. The Company's risk management committee establishes the overall financial risk management strategy, decides on risk mitigation measures and procedures, and performs post-evaluation of the effectiveness of risk management. Additionally, the Company's internal auditors continuously review compliance with risk management policies and procedures and the limits of risk exposure. The Company's overall financial risk management strategy remains the same as in the previous period.

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① Foreign Exchange Risk

As of December 31, 2023 and 2022, book value of monetary assets and liabilities denominated in foreign currencies other than the functional currency is as follows.

<i>(in thousands of)</i>	2023		2022	
	Assets	Liabilities	Assets	Liabilities
USD	17,246,301	5,674,340	20,181,347	9,538,526
EUR	1,912,542	314,800	1,983,721	115,668
GBP	-	1,047	-	-
Total exposure amount	<u>19,158,843</u>	<u>5,990,187</u>	<u>22,165,068</u>	<u>9,654,194</u>

As of December 31, 2023 and 2022, details of derivative contracts (forward foreign exchange contracts purchased and sold) related to foreign exchange risk are as follows.

<i>(in thousands of)</i>	2023		2022	
	Selling	Buying	Selling	Buying
USD	5,202,272	-	6,751,225	-
EUR	852,041	-	1,117,799	-
	<u>6,054,313</u>	<u>-</u>	<u>7,869,024</u>	<u>-</u>

As of December 31, 2023 and 2022, assuming all other variables remain constant, the impact of a 10% fluctuation in the exchange rate of each foreign currency against the functional currency on the pre-tax net income is as follows.

<i>(in thousands of)</i>	2023		2022	
	In the event of a 10% increase	In the event of a 10% decrease	In the event of a 10% increase	In the event of a 10% decrease
USD	1,157,196	(1,157,196)	1,064,282	(1,064,282)
EUR	159,774	(159,774)	186,805	(186,805)
GBP	(105)	105	-	-
Total exposure gain (loss)	1,316,865	(1,316,865)	1,251,087	(1,251,087)
The effect of forward exchange contracts	(605,431)	605,431	(786,902)	786,902
Net exposure gain (loss)	<u>711,434</u>	<u>(711,434)</u>	<u>464,185</u>	<u>(464,185)</u>

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② Liquidity Risk Management

As of December 31, 2023 and 2022, the contractual maturities of the financial liabilities held by the Company are as follows.

(in thousands of Korean won)	2023				
	Book value	Within 1 year	1~5 years	Over 5 years	Total
Non-derivative financial liabilities:					
Trade payable and other payables	₩ 8,418,812	₩ 8,418,812	₩ -	₩ -	₩ 8,418,812
Borrowings	1,000,000	1,038,201	-	-	1,038,201
Other current financial liabilities (*1)	178,502	197,469	-	-	197,469
Other non-current financial liabilities (*2)	169,300	-	184,374	-	184,374
Sub-total	₩ 9,766,614	₩ 9,654,482	₩ 184,374	₩ -	₩ 9,838,856
Derivative financial liabilities:					
Current financial liabilities	4,030	4,030	-	-	4,030
	₩ 9,770,644	₩ 9,658,512	₩ 184,374	₩ -	₩ 9,842,886

(*1) Consisting of lease liabilities and other financial liabilities.

(*2) Consisting solely of lease liabilities.

(in thousands of Korean won)	2022				
	Book value	Within 1 year	1~5 years	Over 5 years	Total
Non-derivative financial liabilities:					
Trade payable and other payables	₩ 13,057,099	₩ 13,057,099	₩ -	₩ -	₩ 13,057,099
Borrowings	6,000,000	6,088,660	-	-	6,088,660
Other current financial liabilities (*1)	61,042	74,273	-	-	74,273
Other non-current financial liabilities (*2)	133,712	-	149,906	-	149,906
Sub-total	₩ 19,251,853	₩ 19,220,032	₩ 149,906	₩ -	₩ 19,369,938
Derivative financial liabilities:					
Current financial liabilities	5,827	5,827	-	-	5,827
	₩ 19,257,680	₩ 19,225,859	₩ 149,906	₩ -	₩ 19,375,765

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(*1) Consisting of lease liabilities and other financial liabilities.

(*2) Consisting solely of lease liabilities.

The maturity analysis above is based on undiscounted cash flows, which is why the totals do not match the book values.

③ Credit Risk Management

The Company manages credit risk by transacting with counterparties that have a certain level of creditworthiness and has established and operates policies and procedures to enhance the credit of financial assets. The Company evaluates the creditworthiness of new counterparties using publicly available financial information and information provided by credit rating agencies, and determines credit limits based on this evaluation. The Company also obtains collateral or guarantees of payment. The Company periodically re-evaluates the creditworthiness of counterparties, reviews credit limits, and adjusts the level of collateral. For financial assets with delayed collection, the status of delayed collection and recovery measures are reported quarterly, and appropriate actions are taken depending on the reasons for the delay.

Meanwhile, the Company deposits cash and cash equivalents and other financial assets with financial institutions such as Kookmin Bank, and since it transacts with financial institutions with high credit ratings, the credit risk from financial institutions is limited.

The Company applies the simplified approach to recognize lifetime expected credit losses as a loss allowance for trade receivables.

As of December 31, 2023 and 2022, the loss allowance for trade receivables is as follows:

(in thousands of Korean won)		During the period	90 days or less	180 days or less	270 days or less	365 days or less	More than 365 days	Specific method	Total
As of December 31, 2023									
Expected Rate	Loss	0.040%	0.307%	7.945%	0.000%	0.000%	100%	100%	
Total Book Value - Trade Receivables		₩ 15,653,500	₩ 1,046,648	₩ 741,370	₩ -	₩ -	₩ -	₩ -	₩ 17,441,518
Allowance Doubtful Accounts	for	6,483	3,297	60,357	-	-	-	-	70,137
As of December 31, 2022									
Expected Rate	Loss	0.016%	0.145%	7.945%	0.000%	0.000%	100%	100%	
Total Book Value - Trade Receivables		₩ 15,594,957	₩ 1,409,894	-	₩ -	₩ -	₩ -	₩ 68,014	₩ 17,072,865
Allowance Doubtful Accounts	for	2,784	2,230	-	-	-	-	68,014	73,028

KCI Co., Ltd.
Notes to the financial statements
December 31, 2023 and 2022

④ Interest Rate Risk Management

As of December 31, 2023 and 2022, the maturity amounts of interest-bearing financial liabilities held by the Company are as follows.

(in thousands of Korean won)

Fixed interest rate

Short-term borrowings

Current portion of long-term borrowings

	2023	2022
₩	1,000,000	₩ -
	-	6,000,000
₩	1,000,000	₩ 6,000,000

33. Authorization for the Issuance of Financial Statements

The Company's financial statements as of and for the year ended December 31, 2023 were approved by the board of directors on January 22, 2024.

Audit opinion on internal control over financial reporting

The accompanying independent auditor's report on internal control over financial reporting is attached as a result of auditing the internal control over financial reporting of KCI Co., Ltd. (the "Company") and the financial statements of the Company for the year ended December 31, 2023 in accordance with the Article 8 of the *Act on External Audit of Stock Companies*.

Attachments:

1. Independent auditor's report on internal control over financial reporting
2. Management's report on the effectiveness of internal control over financial reporting (ICFR)

Independent auditor's report on internal control over financial reporting

(English translation of a report originally issued in Korean)

The Shareholders and Board of Directors

KCI Co., Ltd.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting ("ICFR") of KCI Co., Ltd. (the "Company") based on the Conceptual Framework for Design and Operation of ICFR established by the Operating Committee of ICFR in Korea (the "ICFR Committee") as of December 31, 2023.

In our opinion, the Company's ICFR has been designed and is operating effectively, in all material respects, as of December 31, 2023, in all material respects, in accordance with the Conceptual Framework for Design and Operation of ICFR.

We also have audited, in accordance with Korean Standards on Auditing ("KSA"), the statement of financial position as of December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information, of the Company, and our report dated March 20, 2023 expressed an unqualified opinion thereon.

Basis for opinion on ICFR

We conducted our audit in accordance with KSA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of ICFR section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of ICFR in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for ICFR

Management is responsible for designing, implementing and maintaining an effective ICFR, and for assessing the effectiveness of the ICFR included in the accompanying Management's report on the effectiveness of ICFR.

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

Auditor's responsibilities for the audit of ICFR

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

An audit of the ICFR involves performing procedures to obtain audit evidence as to whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit also includes testing and evaluating the design and operation of ICFR based on obtaining an understanding of ICFR and the assessed risk.

ICFR definition and inherent limitations

A company's ICFR is implemented by those charged with governance, management, and other employees and is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS"). A company's ICFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with KIFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

The engagement partner on the audit resulting in this independent auditor's report is Jun Mo Son.



March 8, 2024

This audit report is effective as of March 8, 2024, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the Company's ICFR and may result in modifications to this report.

Management's report on the effectiveness of internal control over financial reporting

(English translation of a report originally issued in Korean)

The Shareholders and Board of Directors KCI Co., Ltd.

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

The design and operation of ICFR is the responsibility of the Company's management, including CEO and Officer for ICFR.

We assessed whether the Company's ICFR has been effectively designed is operating in order to prevent and detect errors or frauds which may cause a misstatement of the financial statements to ensure preparation and disclosure of reliable financial statements.

We used the Conceptual Framework for Design and Operation of ICFR as established by the Operating Committee of ICFR (the "ICFR Committee") as the standard for the design and operation of the Company's ICFR. In assessing the design and operation of the ICFR, we assessed ICFR based on the Management Guideline for Evaluation and Reporting of ICFR as announced by the ICFR Committee.

Based on our assessment, we concluded that the Company's ICFR has been designed and is operating effectively as of December 31, 2023, in all material respects, in accordance with the Conceptual Framework for Design and Operation of ICFR.

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

February 26, 2024

Lee Jin Yong,
Chief Executive Officer



Yang Jung Hun,
Officer for ICFR

