

KCI Co., Ltd.

Financial statements
for each of the two years in the period ended December 31, 2024
with the independent auditor's report

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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 statements of financial position as of December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the two years in the period ended December 31, 2024, 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 the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for each of the two years in the period ended December 31, 2024 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, 2024 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 13, 2025 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 on cash-generating units to which goodwill has been allocated

- Reason for determination as a key audit matter

As of December 31, 2024, 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 on cash generating units to which goodwill was allocated involves management's significant judgment and estimates, such as the projections of the future cash flows and discount rate. These factors were considered in determining the impairment test on the 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 qualification 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 the value in use with the observable information.
- Verify the consistency of the projections of cash generating unit's sales growth rate, operating profit margin, and investment activity with the past performance and market conditions.
- Compare the future cash flows used in estimating the value in use with those presented in the business plans approved by management.
- Perform independent recalculation on the impairment testing report.

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 Heekyun Shin.



Seoul, Korea
March 13, 2025

This audit report is effective as of March 13, 2025, 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, 2024

“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, 2024 and 2023

(in Korean won)

	Notes	December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	5,15,32	₩ 26,160,795,029	₩ 8,111,614,886
Trade and other current receivables	5,7,30,32	16,398,514,169	18,174,877,292
Other current financial assets	5,6	22,000,923,092	19,051,526,367
Inventories	14,16	25,626,420,657	25,543,926,993
Assets held for sale	11	-	41,328,733
Other current assets	12	758,429,834	335,353,332
		₩ 90,945,082,781	₩ 71,258,627,603
Non-current assets			
Other long-term receivables	5,7	₩ 21,101,000	₩ 21,536,000
Property, plant and equipment	8,9	40,536,447,372	43,346,345,471
Goodwill	10	1,032,715,991	1,032,715,991
Intangible assets other than goodwill	10	1,095,709,262	1,355,001,503
Investment property	11	1,183,168,534	1,211,844,634
Investments in an associate	13	999,225,987	841,656,392
Deferred tax assets	25	363,027,808	238,092,117
		45,231,395,954	48,047,192,108
Total assets		₩ 136,176,478,735	₩ 119,305,819,711
Liabilities			
Current liabilities			
Trade and other current payables	5,17,30,32	₩ 10,666,126,617	₩ 8,418,812,453
Short-term borrowings	5,19,32	1,000,000,000	1,000,000,000
Other current financial liabilities	5,6,9,32	551,648,648	182,532,059
Current tax liabilities		2,538,980,538	1,304,762,262
Other current liabilities	18	2,564,958,384	1,644,173,353
		₩ 17,321,714,187	₩ 12,550,280,127
Non-current liabilities			
Other non-current financial liabilities	5,9,32	₩ 124,902,173	₩ 169,300,433
Other non-current liabilities	18	242,866,408	159,317,661
		367,768,581	328,618,094
Total liabilities		₩ 17,689,482,768	₩ 12,878,898,221
Equity			
Issued capital	26	₩ 5,635,000,000	₩ 5,635,000,000
Capital surplus	28	6,741,615,790	6,741,615,790
Accumulated other comprehensive loss	25,28	(198,758,468)	(235,729,981)
Retained earnings	27	110,491,385,310	98,468,282,346
Other components of equity	28	(4,182,246,665)	(4,182,246,665)
Total equity		118,486,995,967	106,426,921,490
Total equity and liabilities		₩ 136,176,478,735	₩ 119,305,819,711

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, 2024

<i>(in Korean won)</i>	Notes	2024	2023
Revenue (Sales)	4,30	₩ 110,184,780,128	₩ 109,946,107,606
Cost of sales	22,30	73,982,960,188	82,440,247,155
Gross profit		36,201,819,940	27,505,860,451
Selling, general and administrative expenses	21,22	21,180,020,678	17,234,038,277
Operating income		15,021,799,262	10,271,822,174
Finance income	5,24	1,716,402,256	1,329,328,615
Finance expenses	5,24	1,538,254,708	1,369,788,498
Share of profit of an associate	13	214,283,200	252,603,253
Other non-operating income	5,23	4,305,629,491	5,428,544,052
Other non-operating loss	5,23	1,970,210,876	2,570,449,142
Profit before income tax		17,749,648,625	13,342,060,454
Income tax expense	25	3,036,495,661	2,341,677,896
Profit for the year		₩ 14,713,152,964	₩ 11,000,382,558
Other comprehensive income	25,28		
<i>Items that can be subsequently reclassified to profit or loss</i>			
Equity adjustments using equity method		₩ 36,971,513	₩ (69,613,470)
Other comprehensive income (loss) for the year, net of tax		36,971,513	(69,613,470)
Total comprehensive income for the year		₩ 14,750,124,477	₩ 10,930,769,088
Earnings per share	29		
Basic earnings per share		₩ 1,367	₩ 1,022
Diluted earnings per share		1,367	1,022

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, 2024

(in Korean won)

	Share capital	Capital surplus	Accumulated other comprehensive loss	Retained earnings	Other components of equity	Total Equity
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)
Annual 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>
Balance as of January 1, 2024	₩ 5,635,000,000	₩ 6,741,615,790	₩ (235,729,981)	₩ 98,468,282,346	₩ (4,182,246,665)	₩ 106,426,921,490
Profit for the year	-	-	-	14,713,152,964	-	14,713,152,964
Equity adjustments using equity method	-	-	36,971,513	-	-	36,971,513
Annual dividends paid	-	-	-	(2,690,050,000)	-	(2,690,050,000)
Balance as of December 31, 2024	<u>₩ 5,635,000,000</u>	<u>₩ 6,741,615,790</u>	<u>₩ (198,758,468)</u>	<u>₩ 110,491,385,310</u>	<u>₩ (4,182,246,665)</u>	<u>₩ 118,486,995,967</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, 2024***(in Korean won)*

	Note	2024	2023
Cash flows from operating activities			
Cash flow generated from operations	31	₩ 24,985,742,895	₩ 23,429,429,866
Interest paid		(63,229,990)	(111,791,741)
Interest received		1,212,080,492	391,807,245
Dividends received		96,063,840	52,182,360
Income taxes paid		(2,458,417,283)	(4,657,505,043)
Income taxes refund		528,825,485	-
Net cash flows provided by operating activities		<u>₩ 24,301,065,439</u>	<u>₩ 19,104,122,687</u>
Cash flows from investing activities			
Decrease in other current financial assets		₩ 15,000,000,000	₩ 2,000,000,000
Decrease in guarantee deposits		190,000	2,890,000
Disposal of property, plant and equipment		5,156,900	3,380,200,000
Cash inflows from assets held for sale		75,000,000	7,500,000
Increase in other current financial assets		(18,000,000,000)	(17,000,000,000)
Increase in guarantee deposits		(31,100,000)	(15,200,000)
Acquisition-of property, plant and equipment		(1,201,923,900)	(5,057,746,064)
Net cash flows used in investing activities		<u>₩ (4,152,677,000)</u>	<u>₩ (16,682,356,064)</u>
Cash flows from financing activities			
Decrease in current portion of long-term borrowings		-	(5,000,000,000)
Payment of dividends	27	(2,690,050,000)	(2,690,050,000)
Decrease in lease liabilities	9	(203,527,229)	(95,758,217)
Net cash flows used in financing activities		<u>₩ (2,893,577,229)</u>	<u>₩ (7,785,808,217)</u>
Effects of exchange rate changes on cash and cash equivalents		794,368,933	190,826,590
Net increase (decrease) in cash and cash equivalents		<u>₩ 18,049,180,143</u>	<u>₩ (5,173,215,004)</u>
Cash and cash equivalents as of January 1		8,111,614,886	13,284,829,890
Cash and cash equivalents as of December 31	15,31	<u>₩ 26,160,795,029</u>	<u>₩ 8,111,614,886</u>

The accompanying notes are an integral part of the financial statements

KCI Co., Ltd.

Notes to the financial statements

December 31, 2024 and 2023

1. General Information

KCI Co., Ltd. (hereinafter "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 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, 2024, 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 its 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, 2024. The Company has not early adopted any standards, interpretations, or amendments that have been issued but are not yet effective.

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

The amendments to 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

KCI Co., Ltd.
Notes to the financial statements
December 31, 2024 and 2023

- that terms of a liability that could result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if the entity classifies the option as an equity instrument, recognizing it separately from the liability as an equity component of a compound financial instrument.

In addition, an entity is required to disclose 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.

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

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

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 had no impact on the Company's financial statements.

(c) 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 had no impact on the Company's financial statements.

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 1021 and 1101 - Lack of exchangeability

The amendments to KIFRS 1021 *The Effects of Changes in Foreign Exchange Rates* and KIFRS 1101 *First-time adoption of KIFRS* specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require the disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity is not required to restate comparative information.

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

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(b) Amendments to KIFRS 1109 Financial Instruments and KIFRS 1107 Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments

The amendments to KIFRS 1109 Financial Instruments and KIFRS 1107 Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments include the following:

- clarifying that a financial liability is derecognized on the settlement date and introducing an accounting policy choice to derecognize financial liabilities that are settled by using electronic payment system before the settlement date (if specific criteria are met);
- providing additional guidance as to how to assess contractual cash flows of financial assets that include environmental, social and corporate governance (ESG)-linked and similar features;
- clarifying what constitutes non-recourse features and the characteristics of contractually linked financial instruments; and
- introducing disclosures on financial instruments with contingent features and additional disclosure requirements for equity instruments measured at fair value through other comprehensive income.

The amendments will be effective for annual periods beginning on or after January 1, 2026. Earlier adoption is permitted, and only the amendments related to the classification of financial assets and associated disclosure requirements may be early adopted. The Company does not plan to early apply the amendments.

(c) Annual Improvements to KIFRS - Volume 11

Annual Improvements to KIFRS - Volume 11 have been announced for the purpose of improving consistency of requirements set out in each standard, enhancing clarity, and providing better understanding of the amendments.

- Amendments to KIFRS 1101 *First-time adoption of KIFRS*: Hedge accounting by a first-time adopter
- Amendments to KIFRS 1107 *Financial Instruments: Disclosures*: Gain or loss on derecognition, Guidance for application of amendments in practice
- Amendments to KIFRS 1109 *Financial Instruments*: Accounting for derecognition of lease liabilities and definition of transaction prices
- Amendments to KIFRS 1110 *Consolidated Financial Statements*: Determination of a "de facto agent"
- Amendments to KIFRS 1007 *Statement of Cash Flows*: Cost Method

The amendments will be effective for annual periods beginning on or after January 1, 2026. Earlier 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 Korean won (presented as "Korean won", "KRW" or "₩").

(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.

KCI Co., Ltd.
Notes to the financial statements
December 31, 2024 and 2023

2.5 Cash and cash equivalents.

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits held to meet short-term cash needs, not for investments or other purposes.

2.6 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); and
- 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.

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 finance income.

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(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 finance 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 finance income or finance 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 finance 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 finance 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.

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'.

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(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.

2.7 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 finance income (expense) depending on the nature of the transaction.

2.8 Accounts Receivables

Accounts receivables 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.

2.9 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).

2.10 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
Others	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.

2.11 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.

2.12 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.

2.13 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.

2.14 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

2.15 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.

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2.16 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.

2.17 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.

2.18 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.

2.19 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.

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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.

2.20 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.

2.21 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.

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(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 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.

2.22 Leases

(1) Company as a 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) Company as a 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;
- variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;

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- 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.

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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.

2.23 Operating Segments

Information by operating segment is disclosed based on the internal reporting provided to the chief operating decision-maker. 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.

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.

(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.

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(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)

	2024		2023	
Merchandise Sales	₩	2,490,185	₩	1,347,727
Product Sales		107,694,595		108,598,381
	₩	110,184,780	₩	109,946,108

② Information on Geographic Regions

(in thousands of Korean won)

	2024		2023	
Domestic Sales	₩	17,412,775	₩	15,488,848
Overseas Sales		92,772,005		94,457,260
	₩	110,184,780	₩	109,946,108

(2) Information on Major Customers

For each of the two years in the period ended December 31, 2024, the followings are the individual customers that accounted for 10% or more of the Company's sales:

(in thousands of Korean won)

	2024		2023	
	Sales	Ratio	Sales	Ratio
Company A	₩ 10,896,547	9.89%	₩ 15,492,165	14.09%
Company B	17,948,994	16.29%	18,878,480	17.17%

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5. Financial Instrument by Category

(1) As of December 31, 2024 and 2023, the book value of financial assets is as follows:

(in thousands of Korean won)

The category of the financial asset	Breakdown	Dec. 31, 2024		Dec. 31, 2023	
	Cash and cash equivalents	₩	26,160,795	₩	8,111,615
	Trade and other receivables		16,398,514		18,174,877
Financial assets at amortized cost	Other current financial assets		22,000,000		19,000,000
	Other long-term receivables		21,101		21,536
	Sub-total	₩	64,580,410	₩	45,308,028
Derivative financial instruments	Other current financial assets		923		51,526
Total of the financial assets		₩	64,581,333	₩	45,359,554

(2) As of December 31, 2024 and 2023, the book value of financial liabilities is as follows:

(in thousands of Korean won)

The category of the financial debt	Breakdown	Dec. 31, 2024		Dec. 31, 2023	
	Trade and other payables	₩	10,666,127	₩	8,418,812
	Short-term borrowings		1,000,000		1,000,000
Financial liabilities at amortized cost	Other current financial liabilities		215,426		178,502
	Other non-current financial liabilities		124,902		169,300
	Sub-total	₩	12,006,455	₩	9,766,614
Derivative financial instruments	Other current financial liabilities		336,222		4,030
Total of the financial liabilities		₩	12,342,677	₩	9,770,644

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

(in thousands of
Korean won)

	2024							
	Financial assets				Financial liabilities			Total
	Financial assets at amortized cost	Derivative financial assets			Financial liabilities at amortized cost	Derivative financial liabilities		
Interest income	₩ 1,431,963	₩ -	₩		₩	-	₩	1,431,963
Interest expense	-	-			(62,576)	-		(62,576)
Gain (loss) on foreign currency translation	1,382,377	-			(354,964)	-		1,027,413
Gain (loss) on foreign currency transaction	1,717,506	-			(545,253)	-		1,172,253
Fair value fluctuations and others (recognized in profit or loss)	-	284,439			-	(1,475,678)		(1,191,239)
Total	₩ 4,531,846	₩ 284,439	₩	(962,793)	₩	(1,475,678)	₩	2,377,814

(in thousands of
Korean won)

	2023							
	Financial assets				Financial liabilities			Total
	Financial assets at amortized cost	Derivative financial assets			Financial liabilities at amortized cost	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

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6. The Fair Value

For the year ended December 31, 2024, 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) The Fair Value of Financial Instruments by Category

As of December 31, 2024 and 2023, the book value and fair value of financial instruments are as follows:

(in thousands of Korean won)	December 31, 2024		December 31, 2023	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Derivative financial instruments	₩ 923	923	₩ 51,526	₩ 51,526
Financial liabilities				
Derivative financial instruments	336,222	336,222	4,030	4,030

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

(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, 2024 and 2023, 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)	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Other current financial assets	₩ -	₩ 923	₩ -	₩ 923
Other current financial liabilities	-	336,222	-	336,222

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(in thousands of Korean won)

		December 31, 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

There have been no changes in the classification levels of financial instruments for each of the two years in the period ended December 31, 2024.

(3) 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:

(in thousands of Korean won)	December 31, 2024		December 31, 2023		Valuation techniques
Derivative financial assets	₩	923	₩	51,526	Discount Rate
Derivative financial liabilities		336,222		4,030	Discount Rate

7. Trade Receivables and Other Receivables

(1) As of December 31, 2024 and 2023, details of trade receivables and other receivables are as follows:

(in thousands of Korean won)

		December 31, 2024			December 31, 2023		
		Total book amount	Allowance for doubtful accounts	Net book amount	Total book amount	Allowance for doubtful accounts	Net book amount
Current							
Trade receivables	₩	15,569,679	₩ (33,725)	₩ 15,535,954	₩ 17,441,518	₩ (70,137)	₩ 17,371,381
Accounts receivable		699,010	-	699,010	671,208	-	671,208
Guarantee deposits		163,550	-	163,550	132,288	-	132,288
Sub-total	₩	16,432,239	₩ (33,725)	₩ 16,398,514	₩ 18,245,014	₩ (70,137)	₩ 18,174,877
Non-current							
Guarantee deposits	₩	21,101	₩ -	₩ 21,101	₩ 21,536	₩ -	₩ 21,536
	₩	16,453,340	₩ (33,725)	₩ 16,419,615	₩ 18,266,550	₩ (70,137)	₩ 18,196,413

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(2) 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, 2024 are as follows:

<i>(in thousands of Korean won)</i>	2024		2023	
Beginning balance	₩	70,137	₩	73,028
Provision		-		(75,700)
Impairment losses (reversal)		(36,412)		72,809
Ending balance	₩	33,725	₩	70,137

8. Property, Plant and Equipment

(1) Changes in the Company's property, plant and equipment for each of the two years in the period ended December 31, 2024 are as follows:

*(in thousands of
Korean won)*

Korean won)		2024																	
		Land		Buildings		Structures		Machinery		Vehicles		Right-of-use assets		Others		Construction-in progress		Total	
Acquisition cost																			
Beginning 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	
Acquisition				128,900		73,070		177,574		5,008		213,461		131,852		734,479		1,464,344	
Disposal				-		-		(296,685)		-		(181,445)		(120,869)		-		(598,999)	
Other increases and decreases (*)				28,000		72,213		595,087		-		-		4,520		(714,604)		(14,784)	
Ending balance	₩	11,120,662	₩	25,416,549	₩	1,849,844	₩	37,121,623	₩	78,639	₩	508,574	₩	5,810,416	₩	44,400	₩	81,950,707	
Accumulated depreciation																			
Beginning balance	₩	-	₩	5,373,955	₩	519,709	₩	27,678,568	₩	60,250	₩	132,374	₩	3,928,861	₩	-	₩	37,693,717	
Disposal		-		-		-		(296,667)		-		(170,114)		(120,849)		-		(587,630)	
Depreciation		-		514,196		92,837		2,993,081		7,461		215,469		445,645		-		4,268,689	
Ending balance	₩	-	₩	5,888,151	₩	612,546	₩	30,374,982	₩	67,711	₩	177,729	₩	4,253,657	₩	-	₩	41,374,776	
Government grants																			
Beginning balance	₩	-	₩	-	₩	-	₩	60,083	₩	-	₩	-	₩	1	₩	-	₩	60,084	
Depreciation		-		-		-		(20,600)		-		-		-		-		(20,600)	
Ending balance	₩	-	₩	-	₩	-	₩	39,483	₩	-	₩	-	₩	1	₩	-	₩	39,484	
Net book value																			
Beginning 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	
Ending balance		11,120,662		19,528,398		1,237,298		6,707,158		10,928		330,845		1,556,758		44,400		40,536,447	

(*)The transfer of construction-in progress to intangible assets is included in other increases and decreases.

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(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			
Acquisition		-	-	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			
Depreciation		-	-	-	(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 transfer of construction-in progress to intangible assets and the transfer of land and buildings to investment properties are included in other increases and decreases.

(2) Details of depreciation of property, plant and equipment by account for each of the two years in the period ended December 31, 2024 are as follows:

(in thousands of Korean won)

	2024	2023
Cost of sales	₩ 3,765,389	₩ 3,390,588
Selling, general and administrative expenses	482,701	562,848
	₩ 4,248,090	₩ 3,953,436

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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>	Dec. 31, 2024	Dec. 31, 2023
Right-of-use assets (*)		
Real estate property	₩ 130,447	₩ 103,987
Vehicles	200,398	240,197
	<u>₩ 330,845</u>	<u>₩ 344,184</u>

(*) Right-of-use assets are included in property, plant and equipment in the statement of financial position.

<i>(in thousands of Korean won)</i>	Dec. 31, 2024	Dec. 31, 2023
Lease liabilities (*)		
Current.	₩ 215,426	₩ 178,502
Non-current	124,902	169,300
	<u>₩ 340,328</u>	<u>₩ 347,802</u>

(*) Lease liabilities are included in other current financial liabilities and other non-current financial liabilities on the statement of financial position.

(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>	2024	2023
Depreciation of right-of-use assets.	₩ 215,469	₩ 103,865
Interest income on guarantee deposits	6,197	1,036
Interest expense relating to lease liabilities	22,501	19,721
Shor-term leases	48,539	93,277
Leases payments of low-value assets that are not short-term leases	61,898	66,131

(3) For the year ended December 31, 2024, the total cash outflow of the lease is 336,465 thousand Korean won (2023: 274,886 thousand Korean won)

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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, 2024 are as follows:

(in thousands of Korean won)

	2024			
	Goodwill	Software	Membership	Total
Beginning balance	₩ 1,032,716	₩ 854,214	₩ 500,787	₩ 2,387,717
Amortization	-	(274,076)	-	(274,076)
Other increases and decreases (*)	-	14,784	-	14,784
Ending balance	₩ 1,032,716	₩ 594,922	₩ 500,787	₩ 2,128,425

(*) The transfer from construction-in progress is included in other increases and decreases.

(in thousands of Korean won)

	2023			
	Goodwill	Software	Membership	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 transfer from construction-in progress is included in other increases and decreases.

(2) Details of amortization of intangible assets by account for each of the two years in the period ended December 31, 2024 are as follows:

(in thousands of Korean won)

	2024	2023
Cost of sales	₩ 3,400	₩ 3,400
Selling, general and administrative expenses	270,676	260,893
	₩ 274,076	₩ 264,293

(3) Impairment Testing of Goodwill

As of December 31, 2024 and 2023, details of goodwill are as follows:

(in thousands of Korean won)

	Dec. 31, 2024	Dec. 31, 2023
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 value-in-use was based on the following key assumptions:

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- cash flows were projected based on past experiences, actual financial results and future business plan.
- 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 7.64% 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

Changes in investment properties for each of the two years in the period ended December 31, 2024 are as follows:

<2024>

(in thousands of Korean won)

	2024					
	Land		Buildings		Total	
Beginning balance	₩	217,395	₩	994,450	₩	1,211,845
Depreciation				(28,676)		(28,676)
Ending balance	₩	217,395		965,774		1,183,169

<2023>

(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 includes a transfer from property, plant and equipment.

(*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, 2024 and 2023, the book value and the fair value of investment properties are as follows:

(in thousands of Korean won)

	Dec. 31, 2024		Dec. 31, 2023	
Book value	₩	1,183,169	₩	1,211,845
Fair value (*)		1,742,145		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, 2024 and 2023, details of other current assets are as follows:

<i>(in thousands of Korean won)</i>	Dec. 31, 2024		Dec. 31, 2023	
Prepayments	₩	217,525	₩	107,892
Prepaid expenses		175,749		75,991
Accrued income		365,155		151,470
	₩	758,429	₩	335,353

13. Investment in Associates

(1) As of December 31, 2024 and 2023, details of investments in an associate are as follows:

Associate	Location	Principal business activities	Year end	Equity interest	<i>(in thousands of Korean won)</i>	
					Book value	
					Dec. 31, 2024	Dec. 31, 2023
KCI Japan Co., Ltd.	Japan	Wholesale and retail trade	December	45% ₩	999,226 ₩	841,656

(2) Changes in investments in an associate for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in thousands of Korean won)</i>	2024					
	Beginning balance	Share of profit of an associate	Equity adjustment under equity method	Dividends	Ending balance	
KCI Japan Co., Ltd.	₩ 841,656	₩ 214,283	₩ 39,350	₩ (96,063)	₩	999,226

<i>(in thousands of Korean won)</i>	2023					
	Beginning balance	Share of profit of an associate	Equity adjustment under equity method	Dividends	Ending balance	
KCI Japan Co., Ltd.	₩ 681,858	₩ 252,603	₩ (40,623)	₩ (52,182)	₩	841,656

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(3) As of December 31, 2024 and 2023, the summarized financial information on an associate is as follows:

<December 31, 2024>

(Unit: thousand Korean won)

Associate	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net profit	Other comprehensive income	Total comprehensive income
KCI Japan Co., Ltd.	4,007,566	280,337	1,043,905	790,015	10,236,675	389,836	87,445	477,281

<December 31, 2023>

Associate	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Net profit	Other comprehensive loss	Total comprehensive income
KCI Japan Co., Ltd.	4,420,027	293,859	1,784,500	739,209	13,194,623	582,406	(90,272)	492,133

(4) A reconciliation of the financial information presented in the carrying amount of the Company's interest in the associates as of December 31, 2024 and 2023 is as follows:

(in thousands of Korean won)

	December 31, 2024				
	Net assets	Equity interest	Share of net assets	Intercompany transactions	Book value
KCI Japan Co., Ltd.	₩ 2,453,984	45%	₩ 1,104,293	₩ (105,067)	₩ 999,226

(in thousands of Korean won)

	December 31, 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

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14. Inventories

(1) As of December 31, 2024 and 2023, details of inventories are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2024			December 31, 2023		
	Acquisition cost	Valuation allowance	Book amount	Acquisition cost	Valuation allowance	Book amount
Merchandise	₩ 565,062	(395)	564,667	₩ 101,670	₩ (26)	₩ 101,644
Finished goods`	17,501,348	(216,209)	17,285,139	16,964,853	(335,960)	16,628,893
Raw materials	3,211,645	(131,694)	3,079,951	5,656,690	(90,679)	5,566,011
Auxiliary materials	568,237	(18,655)	549,582	566,437	(8,087)	558,350
Goods in transit	4,147,081	-	4,147,081	2,689,029	-	2,689,029
	<u>₩ 25,993,373</u>	<u>(366,953)</u>	<u>25,626,420</u>	<u>₩ 25,978,679</u>	<u>₩ (434,752)</u>	<u>₩ 25,543,927</u>

(2) The valuation gains and losses recognized in relation to inventories for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Reversal of inventory valuation loss	₩ 67,799	₩ 149,752

(3) As of December 31, 2024, the Company's inventories are provided as collateral for borrowings (See Note 16).

15. Cash and Cash Equivalents

As of December 31, 2024 and 2023, details of cash and cash equivalents are as follows:

<i>(in thousands of Korean won)</i>	Dec. 31, 2024	Dec. 31, 2023
Current account	₩ 26,160,795	₩ 8,111,615

16. Contingent and Commitments

(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.

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(3) As of December 31, 2024 and 2023, details of the assets provided as collateral for the Company's debts are as follows:

(in thousands of
Korean won)

		December 31, 2024			
	Book amount	Provided to	Related debt	Debt amounts	Collateral limit
Inventories	₩ 25,626,420	The Export-Import Bank of Korea	Short-term borrowings	₩ 1,000,000	₩ 15,600,000

(in thousands of
Korean won)

		December 31, 2023			
	Book amount	Provided to	Related debt	Debt amounts	Collateral limit
Inventories	₩ 25,543,927	The Export-Import Bank of Korea	Short-term borrowings	₩ 1,000,000	₩ 15,600,000

(4) As of December 31, 2024 and 2023, details of the Company's major commitment agreements with financial institutions are as follows:

(In thousands of Korean won)	Currency	Financial institution	Dec. 31, 2024		Dec. 31, 2023	
			Limit	Execution	Limit	Execution
Borrowings	KRW	The Export-Import Bank of Korea	₩ 12,000,000	₩ 1,000,000	₩ 12,000,000	₩ 1,000,000

		Currency	Financial institution	Committed Amount		
(Unit: USD, EUR)				Dec. 31, 2024	Dec. 31, 2023	
Derivative financial instruments (currency forwards)	USD	Woori Bank	₩	3,500,000	₩	4,000,000
	EUR	Woori Bank		500,000		600,000

(5) The Company has received guarantees for contract performance and other obligations from Seoul Guarantee Insurance, with an insured amount of ₩11 million.

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17. Trade Payable and Other Payables

As of December 31, 2024 and 2023, details of accounts payable and other liabilities are as follows:

<i>(in thousands of Korean won)</i>	Dec. 31, 2024	Dec. 31, 2023
Trade payables	₩ 8,211,109	₩ 6,360,499
Accrued expenses	2,455,018	2,058,313
	<u>₩ 10,666,127</u>	<u>₩ 8,418,812</u>

18. Other Liabilities

(1) As of December 31, 2024 and 2023, details of other current liabilities are as follows:

<i>(in thousands of Korean won)</i>	Dec. 31, 2024	Dec. 31, 2023
Advanced receipts (*)	₩ 608,423	₩ 519,872
Deposits received	182,501	227,193
Accrued expenses	1,774,034	897,108
	<u>₩ 2,564,958</u>	<u>₩ 1,644,173</u>

(*) As of December 31, 2024 and 2023, the contract liabilities arising from contracts with customers amount to KRW 608 million (end of previous period: ₩ 512 million), and are recognized as other liabilities. The revenue recognized in the period ended December 31, 2024 related to contract liabilities carried forward from the previous period is ₩ 512 million.

(2) As of December 31, 2024 and 2023, details of other non-current liabilities are as follows:

<i>(in thousands of Korean won)</i>	Dec. 31, 2024	Dec. 31, 2023
Long-term accrued expenses	₩ 242,866	₩ 159,318

19. Borrowings.

As of December 31, 2024 and 2023, details of borrowings are as follows:

<i>(In thousands of Korean won)</i>	Financial institution	Annual interest rate	Dec. 31, 2024	Dec. 31, 2023
Loan agreement (*)	The Export-Import Bank of Korea	3.20%	₩ 1,000,000	₩ 1,000,000-

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

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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 966 million (previous period: KRW 936 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.

21. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for each of the two years in the period ended December 31, 2024 are as follows:

(in thousands of Korean won)

	2024		2023	
Salaries	₩	5,627,513	₩	5,261,363
Retirement benefits		434,794		464,107
Employee welfare		1,164,309		912,904
Travel		587,260		184,295
Communications		52,472		63,681
Utilities		-		198
Supplies		164,127		116,330
Taxes and dues		143,858		125,738
Depreciation		511,377		567,786
Amortization of intangible assets		270,676		260,893
Repairs and maintenance		40,724		22,308
Vehicles		19,608		33,288
Advertisement and promotion		125,206		54,815
Transportation		5,960,564		4,612,203
Commission fees		5,563,854		3,962,797
Insurance premiums		184,226		224,087
Rents		16,937		128,403
Samples		23,422		11,000
Bad debt expense				
(Reversal of allowance for doubtful accounts)		(36,412)		72,809
Others		325,506		155,033
	₩	21,180,021	₩	17,234,038

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22. Classification of Expenses by Nature

Details of expenses (cost of goods sold, selling, general and administrative expenses) incurred for each of the two years in the period ended December 31, 2024, classified by nature, are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Change in inventories	₩ 1,375,559	₩ 12,638,456
Purchases of raw materials and merchandise	48,799,402	53,853,127
Salaries	13,765,206	12,180,097
Depreciation and amortization	4,550,843	4,222,666
Commission fees	7,637,972	6,015,503
Subcontracting costs	1,644,543	1,335,292
Transportation	5,975,866	4,612,203
Others	11,413,590	4,816,941
	<u>₩ 95,162,981</u>	<u>₩ 99,674,285</u>

23. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Other income		
Gain on foreign currency transaction	₩ 2,483,407	₩ 2,138,295
Gain on foreign currency translation	1,685,369	1,015,803
Gain on disposal of property, plant and equipment	5,174	2,103,191
Gain on disposal of assets held for sale	33,671	-
Others	98,008	171,255
	<u>₩ 4,305,629</u>	<u>₩ 5,428,544</u>
Other expenses		
Loss on foreign currency transaction	₩ 1,311,155	₩ 1,578,066
Loss on foreign currency translation	657,955	970,910
Loss on disposal of property, plant and equipment	12	6,049
Others	1,089	15,424
	<u>₩ 1,970,211</u>	<u>₩ 2,570,449</u>

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24. Finance Income and Expenses

Details of finance income and expenses for each of the two years in the period ended December 31, 2024 are as follows:

(in thousands of Korean won)

	2024		2023	
Finance income				
Interest Income	₩	1,431,963	₩	490,266
Gain on derivative transactions		283,516		787,536
Gain on derivative valuation		923		51,526
	₩	1,716,402	₩	1,329,328
Finance expenses				
Interest expense	₩	62,576	₩	108,016
Loss on derivative transactions		1,139,456		1,257,742
Loss on derivative valuation		336,222		4,030
	₩	1,538,254	₩	1,369,788

25. Income Tax Expense

(1) The components of income tax expense for each of the two years in the period ended December 31, 2024 are as follows:

(in thousands of Korean won)

	2024		2023	
Current tax expense	₩	3,700,474	₩	2,295,207
Adjustments recognized in the current period for prior periods' current tax		(536,664)		(24,614)
Changes in deferred income tax arising from temporary difference		(124,936)		100,076
Income tax expense directly reflected in equity		(2,379)		(28,991)
Income tax expense	₩	3,036,495	₩	2,341,678

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(2) A reconciliation of income tax expense applicable to income before income taxes at the statutory tax rate of the Republic of Korea to income tax expense at the effective tax rate of the Company for each of the two years in the period ended December 31, 2024 is as follows:

<i>(in thousands of Korean won)</i>	2024		2023	
Profit before income tax expense	₩	17,749,649	₩	13,342,060
Income tax expense calculated at the applicable tax rate		3,709,677		2,788,491
Tax effects of:				
Adjustments recognized in the current period for prior periods' current tax		(536,664)		(24,614)
Non-deductible expense		11,922		11,114
Tax credits		(165,260)		(257,003)
Others		16,820		(176,310)
Income tax expense	₩	3,036,495	₩	2,341,678
Effective tax rate		17.11%		17.55%

(3) Changes in deferred tax assets (liabilities) for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in thousands of Korean won)</i>	2024			
	Beginning balance	Reflected in net income	Reflected in equity	Ending balance
Inventories	₩ 90,863	₩ (14,170)	₩ -	₩ 76,693
Accrued income	(31,657)	(44,660)	-	(76,317)
Employee benefit liabilities	131,160	228,021	-	359,181
Investment in an associate	(34,428)	(7,146)	(2,379)	(43,953)
Government grants	12,557	(4,305)	-	8,252
Membership	7,049	-	-	7,049
Right-of-use assets	(71,934)	2,787	-	(69,147)
Lease liabilities	72,690	(1,562)	-	71,128
Industrial property rights	53,603	(32,162)	-	21,441
Repair costs	8,189	(564)	-	7,625
Others	-	1,076	-	1,076
	₩ 238,092	₩ 127,315	₩ (2,379)	₩ 363,028

KCI Co., Ltd.
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(in thousands of Korean won)	2023			
	Beginning balance	Reflected in net income	Reflected in equity	Ending balance
Inventories	₩ 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 an associate	(109,029)	103,592	(28,991)	(34,428)
Derivative financial 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
Repair costs	8,795	(606)	-	8,189
Others	176	(176)	-	-
	₩ 338,168	₩ (71,085)	₩ (28,991)	₩ 238,092

(4) As of December 31, 2024 and 2023, the timing of the recovery or settlement of deferred tax assets (liabilities) is as follows:

(in thousands of Korean won)	Dec. 31, 2024	Dec. 31, 2023
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	₩ 534,390	₩ 332,278
Deferred tax asset to be recovered after more than 12 months	18,055	43,834
Deferred tax liabilities		
Deferred tax asset to be recovered within 12 months	(145,464)	(103,592)
Deferred tax asset to be recovered after more than 12 months	(43,953)	(34,428)
Deferred tax assets, net	₩ 363,028	₩ 238,092

(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, 2024 is as follows:

(in thousands of Korean won)	2024			2023		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Equity adjustments using equity method	₩ 39,350	₩ (2,379)	₩ 36,971	₩ (40,623)	₩ (28,990)	₩ (69,613)

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26. Share Capital

(1) As of December 31, 2024 and 2023, details of share capital are as follows:

<i>(in thousands of Korean won)</i>	Dec. 31, 2024	Dec. 31, 2023
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, 2024 and 2023, details of the Company's retained earnings are as follows:

<i>(in thousands of Korean won)</i>	Dec. 31, 2024	Dec. 31, 2023
Legal reserves	₩ 2,896,231	₩ 2,896,231
Discretionary reserves	92,880,000	84,570,000
Retained earnings before appropriation	14,715,154	11,002,051
	<u>₩ 110,491,385</u>	<u>₩ 98,468,282</u>

(3) The calculation of dividends for each of the two years in the period ended December 31, 2024 is as follows:

<i>(in thousands of Korean won)</i>	2024	2023
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 year)	18.27%	24.45%
Dividend yield (Dividend per share / Closing price on settlement date)	3.78%	3.45%

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(4) Details of the statement of retained earnings for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in thousands of Korean won)</i>	2024	2023
Unappropriated retained earnings carried over from prior year	₩ 2,001	₩ 1,668
Profit for the year	14,713,153	11,000,383
Retained earnings available for appropriation	14,715,154	11,002,051
Appropriation of retained earnings		
Cash dividends (ratio) per share:		
Ordinary share: ₩ 250 (50%) in 2024,	2,690,050	2,690,050
Ordinary share: ₩ 250 (50%) in 2023,		
Legal reserves	-	-
Discretionary reserves	12,020,000	8,310,000
	14,710,050	11,000,050
Unappropriated retained earnings to be carried forward	₩ 5,104	₩ 2,001

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

As of December 31, 2024 and 2023, details of capital surplus, other capital, and accumulated other comprehensive income are as follows:

<i>(in thousands of Korean won)</i>	Dec. 31, 2024	Dec. 31, 2023
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	(198,758)	(235,730)
Equity adjustments using equity method	(198,758)	(235,730)

KCI Co., Ltd.
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29. Earnings per Share

(1) Details of basic earnings per share for each of the two years in the period ended December 31, 2024 are as follows:

<i>(in Korean won)</i>	2024	2023
Profit for the year	₩ 14,713,152,964	₩ 11,000,382,558
Weighted average number of ordinary shares outstanding <i>(in shares)</i>	10,760,200	10,760,200
(*)		
Basic earnings per share	1,367	1,022

(*) Since there were no changes in the number of issued shares for each of the two years in the period ended December 31, 2024, 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, 2024 and 2023, the parent company is Samyang Corporation, and the ultimate controlling company is Samyang Holdings Corporation.
- ② As of December 31, 2024 and 2023, details of the related parties with whom the Company has transactions such as sales and purchases, or balances of receivables and payables are as follows:

	December 31, 2024	December 31, 2023
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. Verdant Specialty Solutions Halifax Limited	Samyang Data System Co., Ltd. Samyang F&B Co., Ltd. Verdant Specialty Solutions Halifax Limited

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(2) Details of transactions with the related parties for each of the two years in the period ended December 31, 2024 are as follows:

(in thousands of Korean won)

	2024				
	Operating revenue	Non-operating revenue	Purchases of goods and raw materials.	Acquisition of property, plant and equipment and intangible assets.	Non-operating expenses
Ultimate controlling company					
Samyang Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ -	₩ 980,643
Parent company					
Samyang Corporation.	-	43,844	551,276	41,300	1,659,777
Associate.					
KCI Japan Co., Ltd.	6,689,939	-	-	-	-
Other related party					
Samyang Data System Co., Ltd.	-	-	-	3,245	400,913
Samyang F&B Co., Ltd.	-	-	-	-	190
Verdant Specialty Solutions Halifax Limited	227,693	-	-	-	-
	₩ 6,917,632	₩ 43,844	₩ 551,276	₩ 44,545	₩ 3,041,523

(in thousands of Korean won)

	2023				
	Operating revenue	Non-operating revenue	Purchases of goods and raw materials.	Acquisition of property, plant and equipment 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

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(3) Details of financial transactions with the related parties for each of the two years in the period ended December 31, 2024 are as follows:

(in thousands of Korean won)	2024		
	Related party	Payment of dividends	Receipt of dividends
Parent company	Samyang Corporation	₩ 1,409,183	₩ -
Associate	KCI Japan Co., Ltd.	-	96,063
(in thousands of Korean won)	2023		
	Related party	Payment of dividends	Receipt of dividends
Parent company	Samyang Corporation	₩ 1,409,183	₩ -
Associate	KCI Japan Co., Ltd.	-	52,182

(4) As of December 31, 2024 and 2023, details of receivables from and payables to the related parties are as follows:

December 31, 2024							
(in thousands of Korean won)	Accounts receivable		Other receivables		Accounts payable		Other payables
Ultimate controlling company							
Samyang Holdings Co., Ltd.	₩	-	₩	-	₩	-	₩ 259,380
Parent company							
Samyang Corporation.		-				2,987	317,913
Associate							
KCI Japan Co., Ltd.		1,351,794		-		-	-
Other related party							
Samyang Data System Co., Ltd.		-		-		-	26,160
Samyang F&B Co., Ltd.		-		-		-	9
Verdant Specialty Solutions		153,695					
Halifax Limited							
	₩	1,505,489	₩		₩	2,987	₩ 603,462

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

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(5) Details of compensation to key management personnel for each of the two years in the period ended December 31, 2024 are as follows:

(in thousands of Korean won)

	2024		2023	
Short-term employee benefits	₩	437,055	₩	528,760
Retirement benefits		60,886		45,582
	₩	497,941	₩	574,342

31. Cash Flow Statement

(1) The cash flows generated from operations for each of the two years in the period ended December 31, 2024 are as follows:

(in thousands of Korean won)

	2024		2023	
Profit for the year	₩	14,713,153	₩	11,000,383
Adjustments for:				
Income tax expense		3,036,495		2,341,678
Depreciation		4,276,766		3,958,374
Amortization		274,076		264,293
Allowance for doubtful accounts		(36,412)		72,809
Loss on foreign currency translation		657,955		970,910
Interest expense		62,576		108,016
Gain on foreign currency translation		(1,685,368)		(1,015,803)
Share of profit of an associate		(214,283)		(252,603)
Gain on valuation of derivative financial instruments		(923)		(51,526)
Loss on valuation of derivative financial instruments		336,222		4,030
Gain on disposal of property, plant and equipment		(5,174)		(2,103,191)
Loss on disposal of property, plant and equipment		12		6,049
Gain on disposal of assets held for sale		(33,671)		-
Interest income		(1,431,963)		(490,266)
Other		245		-
Decrease (increase) in trade receivable		2,459,848		(740,520)
Decrease (increase) in other receivables		(27,802)		279,545
Decrease (increase) in other current assets		(209,391)		139,696
Decrease (increase) in inventories		(82,494)		12,638,456
Decrease in derivative financial instruments		51,526		461,095
Increase (decrease) in trade payable		1,495,645		(3,974,023)
Increase in other payables		347,746		12,567
Increase (decrease) in other current liabilities		921,439		(241,281)
Decrease in derivative liabilities		(4,030)		(5,827)
Increase in other non-current liabilities		83,549		46,569
Cash generated from operations	₩	24,985,742	₩	23,429,430

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(2) Significant non-cash transactions that did not involve cash inflows or outflows for each of the two years in the period ended December 31, 2024 are as follows:

(in thousands of Korean won)

	2024	2023
Appropriation to legal reserve	₩ -	₩ 269,005
Appropriation to voluntary reserve	8,310,000	14,860,000
Increase(decrease) in unpaid capital expenditures for property, plant, and equipment	48,959	(526,598)
Transfer from construction in progress to property, plant, and equipment	699,820	5,123,120
Transfer from construction in progress to intangible assets	14,784	117,807
Transfer from property, plant, and equipment to investment property	-	1,258,112
Transfer from investment property to assets held for sale	-	41,329
Transfer of current portion of long-term borrowings to short-term borrowings	-	1,000,000
Right-of-use assets and lease liabilities	213,461	255,153
Transfer of long-term lease liabilities to a current portion	240,451	(213,217)

(3) Changes in liabilities arising from financing activities for each of the two years in the period ended December 31, 2024 are as follows:

(in thousands of
Korean won)

	2024					
	Opening balance	Cash flows from financing activities	Non-cash transactions			Ending balance
			New leases	Transfer to current portion	Others	
Short-term borrowings	₩ 1,000,000	₩ -	₩ -	₩ -	₩ -	₩ 1,000,000
Lease liabilities	178,502	(203,527)	-	240,451	-	215,426
Long-term lease liabilities	169,300	-	196,053	(240,451)	-	124,902
Unpaid dividends	-	(2,690,050)	-	-	2,690,050	-
	₩ 1,347,802	₩ (2,893,577)	₩ 196,053	₩ -	₩ 2,690,050	₩ 1,340,328

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(in thousands of Korean won)	2023											
			Cash flows		Non-cash transactions							
	Opening balance		from financing activities		New leases		Transfer to current portion		Others		Ending balance	
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

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, 2024 and 2023, details of the items managed as equity are as follows:

(in thousands of Korean won)	Dec. 31, 2024	Dec. 31, 2023
Liabilities	₩ 17,689,483	₩ 12,878,898
Less: cash and cash equivalents	26,160,795	8,111,615
Net liabilities (A)	(8,471,312)	4,767,283
Equity (B)	118,486,996	106,426,921
Net debt-to-equity ratio (A/B)	-	4.48%

(*) As of December 31, 2024, the net debt-to-equity ratio is presented as negative and not presented accordingly.

(2) Financial Risk Management

In relation to the financial instruments, the Company has been exposed to various financial risks, such as exchange rate fluctuation risk, liquidity risk, credit risk, and interest rate risk. The objective of the Company's risk management is to identify potential risks that affect the Company's financial performance and to reduce, eliminate, and avoid them to an acceptable level. The management of the Company continuously reviews whether each risk-specific management procedure complies with the policy, and there are no significant changes to risk management department and risk management policy since the end of the previous term.

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① Foreign Exchange Risk

As of December 31, 2024 and 2023, the book value of monetary assets and liabilities denominated in foreign currencies other than the functional currency is as follows:

<i>(in thousands of)</i>	December 31, 2024		December 31, 2023	
	Assets	Liabilities	Assets	Liabilities
USD	22,563,982	7,192,596	17,246,301	5,674,340
EUR	1,156,291	152,785	1,912,542	314,800
GBP	-	-	-	1,047
Total exposure amount	23,720,273	7,345,381	19,158,843	5,990,187

As of December 31, 2024 and 2023, details of derivative contracts (forward foreign exchange contracts purchased and sold) related to foreign exchange risk are as follows:

<i>(in thousands of)</i>	December 31, 2024		December 31, 2023	
	Selling	Buying	Selling	Buying
USD	4,817,050	-	5,202,272	-
EUR	752,670	-	852,041	-
	5,569,720	-	6,054,313	-

As of December 31, 2024 and 2023, 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>	December 31, 2024		December 31, 2023	
	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	1,537,138	(1,537,138)	1,157,196	(1,157,196)
EUR	100,351	(100,351)	159,774	(159,774)
GBP	-	-	(105)	105
Total exposure gain (loss)	1,637,489	(1,637,489)	1,316,865	(1,316,865)
The effect of forward exchange contracts	(556,972)	556,972	(605,431)	605,431
Net exposure gain (loss)	1,080,517	(1,080,517)	711,434	(711,434)

② Liquidity Risk Management

As of December 31, 2024 and 2023, the contractual maturities of the financial liabilities held by the Company are as follows:

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(in thousands of Korean won)	December 31, 2024				
	Book value	Within 1 year	1~5 years	Over 5 years	Total
Non-derivative financial liabilities:					
Trade payable and other payables	₩ 10,666,127	₩ 10,666,127	₩ -	₩ -	₩ 10,666,127
Borrowings	1,000,000	1,029,364	-	-	1,029,364
Other current financial liabilities (*1)	215,426	231,015	-	-	231,015
Other non-current financial liabilities (*2)	124,902	-	132,204	-	132,204
Sub-total	₩ 12,006,455	₩ 11,926,506	₩ 132,204	₩ -	₩ 12,058,710
Derivative financial liabilities:					
Current financial liabilities	336,222	336,222	-	-	336,222
	₩ 12,342,677	₩ 12,262,728	₩ 132,204	₩ -	₩ 12,394,932

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

(*2) Consisting solely of lease liabilities.

(in thousands of Korean won)	December 31, 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.

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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 making transactions with counterparties that have at least 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 makes transactions with financial institutions with high credit ratings, the credit risk from financial institutions is limited.

Regarding trade receivables, the Company applies the simplified method that recognizes lifetime expected credit loss.

As of December 31, 2024 and 2023, the loss allowance for trade receivables is as follows:

<i>(in thousands of Korean won)</i>	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, 2024								
Expected loss rate	0.038%	0.464%	7.945%	0.000%	0.000%	100%	100%	
Total book value - Trade receivables	₩ 14,035,728	₩ 1,221,511	₩ 312,440	₩ -	₩ -	₩ -	₩ -	15,569,679
Allowance for doubtful accounts	5,223	5,259	23,243	-	-	-	-	33,725
As of December 31, 2023								
Expected loss rate	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 for doubtful accounts	6,483	3,297	60,357	-	-	-	-	70,137

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④ Interest Rate Risk Management

As of December 31, 2024 and 2023, the maturity amounts of interest-bearing financial liabilities held by the Company are as follows:

<i>(in thousands of Korean won)</i>	Dec. 31, 2024		Dec. 31, 2023	
Fixed interest rate				
Short-term borrowings	₩	1,000,000	₩	1,000,000

33. Authorization for the Issuance of Financial Statements

The Company's financial statements as of and for the year ended December 31, 2024 were approved by the board of directors on January 20, 2025.

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, 2024 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

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, 2024.

In our opinion, the Company's ICFR has been designed and is operating effectively, in all material respects, as of December 31, 2024 in accordance with the Conceptual Framework for Design and Operation of ICFR.

We have also audited, in accordance with Korean Standards on Auditing ("KSA"), the statement of financial position as of December 31, 2024, 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 13, 2025 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"). The 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 Heekyun Shin.



Seoul, Korea
March 13, 2025

This audit report is effective as of March 13, 2025, 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, 2024.

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, 2024, 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.

March 6, 2025

Lee Jin Yong,
Chief Executive Officer



Yang Jung Hun,
Officer for ICFR

