Shinsegae International Inc. and its subsidiaries

Consolidated financial statements
for each of the two years in the period
ended December 31, 2023
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
Shinsegae International Inc.

Opinion

We have audited the consolidated financial statements of Shinsegae International Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the two years in the period ended December 31, 2023 , and the notes to the financial statements, including material accounting policy information .

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the two years in the period ended December 31, 2023 in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

Basis for opinion

We conducted our audit in accordance with Korean Standards on Auditing ("KSA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 audit 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 consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

- Net realizable value evaluation of fashion apparel inventory

As described in Note 11 to the consolidated financial statements, the Group has a total of KRW 282,059,658 thousand in inventories as of December 31, 2023. The carrying amount of fashion apparel inventories is KRW 199,356,030 thousand, and the inventory valuation allowance is KRW 38,360,327 thousand, which represents a significant portion in the Group's consolidated financial statements. As described in Note 2. (10), the Group measures inventories at the lower of acquisition cost and net realizable value.

Seasonal characteristics and changes in consumer preferences and fashion trends inherent in the fashion industry increase uncertainty over the recoverability of inventory. Accordingly, the Group's subjective judgment may be involved in evaluating its fashion apparel inventory. We noted that the valuation amount of the inventory may differ depending on the judgment and the degree of estimation involved in the evaluation of net realizable value of fashion apparel inventory. We considered the possibility of overvaluation of fashion apparel inventory as a significant risk and identified the assessment of the reasonableness of estimated net realizable value of fashion apparel inventory is a key audit matter.

The major audit procedures we have performed to respond to the above key audit matter are as follows:

① Understand the Group's accounting policy for evaluating fashion apparel inventory and assess the method of calculating net realizable value, based on an understanding of the fashion industry.

② Understand the internal control process in relation to the evaluation of inventories.

③ Assess whether the items included in the evaluation of fashion apparel inventory match those on the inventory ledger.

④ Through sampling, assess the reasonableness of estimated valuation allowance for fashion apparel inventory by comparing estimated sales price and related expense estimates, which were used to determine the net realizable value of the inventory item for which valuation allowance should be set up, with recent actual sales price and related expense.

⑤ Recalculate allowance for evaluation of inventory proposed by the Group.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or 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, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

We will 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 will also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and 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 consolidated 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 Son, Dong-Chun.

March 7, 2024

This audit report is effective as of March 7, 2024, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

Shinsegae International Inc. and its subsidiaries

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

"The accompanying consolidated financial statements, including all footnote disclosures, have been prepared by, and are the responsibility of, Shinsegae International Inc. and its subsidiaries."

William, Kim
Chief Executive Officer
Shinsegae International Inc.

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2023 AND 2022

(In thousands of Korean won)

ASSETS	Notes	December 31, 2023	December 31, 2022
CURRENT ASSETS:			
Cash and cash equivalents	5	₩ 153,501,152	₩ 48,752,301
Short-term financial instruments	5	20,000,000	32,003,491
Financial assets measured at FVTPL	5,7	70,000	15,994,150
Trade and other receivables	5,8,42	124,567,456	148,521,220
Inventories	11	282,059,658	289,237,475
Finance lease receivables	5,9,42	-	95,001
Derivative assets	5,20,41,43	9,079,684	2,838,200
Other current assets	12	8,879,222	9,623,017
Total current assets		598,157,172	547,064,855
NON-CURRENT ASSETS:			
Long-term financial instruments	5,6	2,000	2,000
Financial assets measured at FVTPL	5,6,7	38,826,860	35,837,279
Finance lease receivables	5,9,42	-	85,484
Derivative assets	5,20,40,43	280,900	9,582,604
Deferred tax assets	36	9,244,030	7,760,811
Investment in associates	14	136,922,857	137,201,541
Property and equipment	15	253,726,475	281,173,230
Investment property	16	64,186,522	44,395,542
Right-of-use asset	17	91,291,765	87,358,711
Intangible assets	18	67,053,246	70,127,219
Net defined benefit assets	24	10,057,634	15,933,666
Other financial assets	5,10,42	54,314,531	42,158,873
Other non-current assets	12	5,593	
Total non-current assets		725,912,413	731,616,960
TOTAL ASSETS		₩ 1,324,069,585	₩ 1,278,681,815

(Continued)

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2023 AND 2022

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	December 31, 2023	December 31, 2022
		(In thousands of Korean won)	
CURRENT LIABILITIES:			
Trade and other payables	5,19,42 ,43	₩ 81,069,628	₩ 100,401,148
Short-term borrowings	5,21,40,43	90,355,389	44,344,674
Current portion of long-term borrowings	5,21,40,43	88,263,741	66,798,530
Lease liabilities	5,22,40,42,43	15,157,965	18,321,644
Derivative liabilities	5,20,40,43	399,178	2,739,047
Income tax payables		14,954,545	19,229,008
Provisions	25	2,632,917	2,516,937
Other financial liabilities	5,23,42,43	11,369,282	12,123,563
Other current liabilities	26,27,31	21,948,000	15,789,110
Total current liabilities		326,150,645	282,263,661
NON-CURRENT LIABILITIES:			
Long-term borrowings and debenture	5,21,40,43	42,241,660	63,189,534
Lease liabilities	5,22,40,42,43	76,707,378	76,994,734
Provisions	25	3,143,813	2,911,061
Other financial liabilities	5,23,42,43	19,881,941	16,666,189
Other non-current liabilities	26	4,229,398	2,980,608
Total non-current liabilities		146,204,190	162,742,126
TOTAL LIABILITIES		₩ 472,354,835	₩ 445,005,787
EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP:			
Capital stock	28	35,700,000	35,700,000
Other paid-in capital	29	119,761,403	119,761,403
Other capital components	29	2,782,726	1,431,471
Retained earnings	30	690,748,528	673,624,899
Total equity attributable to owners of the Group		848,992,657	830,517,773
NON-CONTROLLING INTERESTS:		2,722,093	3,158,255
TOTAL SHAREHOLDERS' EQUITY		851,714,750	833,676,028
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		₩ 1,324,069,585	₩ 1,278,681,815

(Concluded)

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

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR EACH OF THE TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2023

	Notes	2023	2022
		(In thousands of Korean won)	
SALES	4,31,42	₩ 1,354,327,166	₩ 1,553,877,317
COST OF SALES	37,42	526,592,075	608,045,013
GROSS PROFIT		827,735,091	945,832,304
SELLING AND ADMINISTRATIVE EXPENSES	32,37,42	779,001,663	830,561,792
OPERATING INCOME:		48,733,428	115,270,512
Finance income	33,42	13,180,397	21,674,431
Finance cost	34,42	20,263,199	22,690,637
Share of profits of associates	14	15,958,707	16,380,392
Other non-operating income	35,42	10,464,566	14,771,120
Other non-operating expense	35	6,929,930	8,679,020
NET INCOME BEFORE INCOME TAX EXPENSE		61,143,970	136,726,798
INCOME TAX EXPENSE	36	21,494,721	17,934,560
NET INCOME FOR THE YEAR		39,649,249	118,792,238
Items that will not be reclassified subsequently to profit or loss:		(3,874,540)	5,150,040
Remeasurements of defined benefit plan	24,36	(4,902,820)	6,785,822
Income tax relating to items that will not be reclassified subsequently to profit or loss	36	1,028,280	(1,635,782)
Items that may be reclassified subsequently to profit or loss:		1,293,943	1,205,400
Gain on hedging instruments entered into for cash flow hedges	29,36	-	-
Share of other comprehensive income of associates	14,29,36	(800,992)	719,351
Exchange differences on translating foreign operations	29,36	2,058,377	522,565
Income tax relating to items that may be reclassified subsequently to profit or loss	36	36,558	(36,516)
OTHER COMPREHENSIVE LOSS (INCOME)		(2,580,597)	6,355,440
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		₩ 37,068,652	₩ 125,147,678
NET INCOME ATTRIBUTABLE TO:			
Owners of the Group		₩ 39,212,175	₩ 118,275,859
Non-controlling interests		437,074	516,379

(Continued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

FOR EACH OF THE TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2023

	Notes	(In thousands of Korean won) 2023	2022
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Group		₩ 36,625,256	₩ 124,621,743
Non-controlling interests		443,396	525,935
EARNINGS PER SHARE FOR PROFIT:			
Basic and diluted earnings per common share (Korean won)	38	₩ 1,098	₩ 3,313

(Concluded)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR EACH OF THE TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2023

(In thousands of Korean won)

		Other paid-in capital						
	Capital stock	Capital in excess of par value	Other	Other capital components	Retained earnings	Attributable to owners of the Group	Non-controlling interests	Total
As of January 1, 2022	₩ 35,700,000	₩ 123,627,795	₩ (3,866,392)	₩ 432,412	₩ 561,108,269	717,002,085	2,632,320	719,634,405
Payment of dividends	-	-	-	-	(10,710,000)	(10,710,000)	-	(10,710,000)
Comprehensive income:	-	-	-	1,205,400	123,416,343	124,621,743	525,935	125,147,678
Net income	-	-	-	-	118,275,859	118,275,859	516,379	118,792,238
Remeasurements of defined benefit plan	-	-	-	-	5,140,484	5,140,484	9,556	5,150,040
Share of other comprehensive income (loss) of associates	-	-	-	682,835	-	682,835	-	682,835
Exchange differences on translating foreign operations	-	-	-	522,565	-	522,565	-	522,565
Others	-	-	-	(206,341)	(189,714)	(396,055)	-	(396,055)
As of December 31, 2022	₩ 35,700,000	₩ 123,627,795	₩ (3,866,392)	₩ 1,431,471	₩ 673,624,899	830,517,773	3,158,255	833,676,028
As of January 1, 2023	₩ 35,700,000	₩ 123,627,795	₩ (3,866,392)	₩ 1,431,471	673,624,899	830,517,773	3,158,255	833,676,028
Payment of dividends	-	-	-	-	(17,850,000)	(17,850,000)	(109,574)	(10,710,000)
Comprehensive income:	-	-	-	1,293,943	35,331,313	36,625,256	443,396	125,147,678
Net income	-	-	-	-	39,212,175	39,212,175	437,074	118,792,238
Remeasurements of defined benefit plan	-	-	-	-	(3,880,862)	(3,880,862)	6,322	5,150,040
Share of other comprehensive income (loss) of associates	-	-	-	(764,434)	-	(764,434)	-	(764,434)
Exchange differences on translating foreign operations	-	-	-	2,058,377	-	2,058,377	-	2,058,377
Others	-	-	-	57,312	(357,684)	(300,372)	(769,984)-	(1,070,356))
As of December 31, 2023	₩ 35,700,000	₩ 123,627,795	₩ (3,866,392)	₩ 2,782,726	690,748,528	848,992,657	2,722,093	851,714,750

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

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR EACH OF THE TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2023

	Notes	(In thousands of Korean won) 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations:		₩ 129,689,266	₩ 126,735,260
Net income		39,649,249	118,792,238
Adjustments	40	85,267,003	67,215,636
Changes in net working capital	40	4,773,014	(59,272,614)
Interest income received		2,728,562	1,342,363
Interest expense paid		(6,882,098)	(4,572,323)
Income tax paid		(26,128,285)	(27,018,745)
Dividends received		15,436,400	13,506,850
Net cash flows provided by operating activities		114,843,845	109,993,406

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR EACH OF THE TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2023

	Notes		2023		2022
			(In thousands of Korean won)		
CASH FLOWS FROM INVESTING ACTIVITIES:					
Cash inflows from investing activities		₩	81,449,797	₩	81,881,366
Disposal of short-term financial instruments			46,003,562		62,296,509
Disposal of financial assets measured at FVTPL			26,612,503		10,165,257
Disposal of investment in associates and joint ventures			580,750		-
Disposal of finance lease receivables			38,669		91,543
Disposal of interiors			3,683,031		2,280,820
Disposal of vehicles			50,564		-
Disposal of tools, furniture and fixtures			14,980		10,085
Disposal of other tangible assets			442,861		28,256
Acquisition of government subsidies			33,626		-
Disposal of other intangible assets			31,680		2,700,000
Decrease in leasehold deposits			3,957,571		4,308,896
Cash outflows for investing activities			(107,983,843)		(177,939,258)
Acquisition of short-term financial assets			34,000,000		76,129,136
Acquisition of financial assets measured at FVTPL			13,000,000		34,245,960
Acquisition of investments in associates and joint ventures			-		13,500,000
Acquisition of buildings			-		539,269
Acquisition of interiors			22,413,813		27,613,633
Acquisition of tools, furniture and fixtures			1,175,006		4,573,971
Acquisition of vehicles			-		51,045
Acquisition of construction in progress of property and equipment			4,483,028		4,004,048
Acquisition of right-of use assets			24,200		98,000
Acquisition of industrial property rights			77,011		97,645
Acquisition of other intangible assets			6,355,690		7,394,813
Acquisition of construction in progress of intangible assets			3,079,820		3,991,269
Increase in leasehold deposits			23,375,275		5,700,469
Net cash flows used in investing activities			(26,534,046)		(96,057,892)

(Continued)

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR EACH OF THE TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2023

	Notes	(In thousands of Korean won) 2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash inflows from financing activities		₩ 255,936,299	₩ 101,593,245
Proceeds from short-term borrowings	40	182,519,954	89,583,245
Proceeds from debentures	40	66,426,200	-
Withholding deposits	40	6,970,437	-
Settlement of currency swaps	40	19,708	-
Variation in consolidation range	40	-	12,010,000
Cash outflows for financing activities		(240,809,330)	(115,603,696)
Repayment of short-term borrowings	40	133,093,312	86,699,026
Repayment of debentures	40	67,973,656	-
Debentures issuance cost	40	141,266	89,417
Withholding deposits	40	4,222,819	-
Repayment of lease liabilities	40	17,419,324	18,105,722
Payment of dividends	40	17,958,953	10,709,531
Net cash flows provided by (used in) financing activities		15,126,969	(14,010,451)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		103,436,768	(74,937)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		48,752,301	48,237,870
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		1,312,083	589,368
CASH AND CASH EQUIVALENTS - END OF YEAR		₩ 153,501,152	₩ 48,752,301

(Concluded)

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

1. GENERAL INFORMATION:

Shinsegae International Inc. (the "Company") is the parent company of the Group according to International Financial Reporting Standard as adopted by the Republic of Korea (“KIFRS”) 1110, *Consolidated Financial Statements*, and is an affiliate of the Shinsegae Group. Starting out as foreign business division under Shinsegae department store, Korea Institute of Industrial Distribution, which was established on October 25, 1980, has been developed for specialization and expansion of fashion business and changed its name into Shinsegae International Inc. in 1996.

The Company’s shares were listed on the Korea Stock Exchange on July 14, 2011. As of December 31, 2023, the Company’s capital stock is ₩35,700 million and the Company’s largest shareholder, Shinsegae Inc., and other three shareholders own 54.05% of the total Company shares.

2. MATERIAL ACCOUNTING POLICIES:

(1) Basis of preparation

The Company and its subsidiaries (the “Group”) has prepared the consolidated financial statements in accordance with KIFRS. The accompanying consolidated 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 principal accounting policies are set out below. Except for the effect of the amendments to KIFRS and new interpretations set out below, the principal accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2023 are consistent with the accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2022.

The accompanying consolidated financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is based on the fair values of the consideration given.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of KIFRS 1102, Share-Based Payment; leasing transactions that are within the scope of KIFRS 1116, Leases; and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in KIFRS 1002, Inventories, or value in use in KIFRS 1036, Impairment of Assets.

Management has, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, management continues to adopt the going-concern basis of accounting in preparing the consolidated financial statements.

2. MATERIAL ACCOUNTING POLICIES (con'd):

(1) Basis of preparation (con'd)

The consolidated financial statements as of and for the year ended December 31, 2023 were approved by the Group's board of directors on February 6, 2024, and will be approved at the shareholders' meeting on March 20, 2024.

1) New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

-KIFRS 1117 *Insurance Contracts*

KIFRS 1117 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. KIFRS 1117 replaces KIFRS 1104 *Insurance Contracts*. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. KIFRS 1117 is based on a general model, supplemented by:

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

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

-*Definition of Accounting Estimates* - Amendments to KIFRS 1008

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

-*Disclosure of Accounting Policies* - Amendments to KIFRS 1001 and KIFRS Practice Statement 2

The amendments to KIFRS 1001 and KIFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

-*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* – Amendments to KIFRS 1012

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

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

-*International Tax Reform—Pillar Two Model Rules* – Amendments to KIFRS 1012

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

2. MATERIAL ACCOUNTING POLICIES (con'd):

(1) Basis of preparation (con'd)

• a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules; and
• disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

According to Pillar Two regulations, the Group must pay additional tax on the difference between the effective tax rate of GloBE and the minimum tax rate of 15% per jurisdiction to which each constituent entity belongs. All companies within the Group, except for PP Produits Prestiges SA operating in Switzerland, have an effective tax rate exceeding 15% in their respective countries.

The average effective tax rate of PP Produits Prestiges SA, located in Switzerland, calculated according to paragraph 86 of IFRS 1012, for the year 2023 is as follows:

Switzerland's PP Produits Prestiges SA	(Unit: thousand won)
Income tax expense for the reporting period ended December 31, 2023	335
Net income before income tax expense	2,431
Average effective tax rate	13.76%

The Group is reviewing the impact of the implementation of the Pillar Two regulations on its financial statements. According to our review so far, the average effective tax rate for Switzerland, calculated based on the accounting profit for the reporting period ended December 31, 2023, is 13.76%. Even if the average effective tax rate is less than 15%, the Group may not have to pay Pillar Two income tax for Switzerland due to adjustments under the Pillar Two regulations. Moreover, it may also be affected by Pillar Two income tax if the effective tax rate exceeds 15%.

Since the application of Pillar Two regulations is complex, it is difficult to reasonably estimate the impact. Each company within the Group is currently reviewing this.

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 Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

-Amendments to KIFRS 1116: *Lease Liability in a Sale and Leaseback*

The amendments to KIFRS 1116 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.
The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of KIFRS 1116. Earlier application is permitted and that fact must be disclosed.
The amendments are not expected to have a material impact on the Group's consolidated financial statements.

2. MATERIAL ACCOUNTING POLICIES (con'd):

(1) Basis of preparation (con'd)

-Amendments to KIFRS 1001: *Classification of Liabilities as Current or Non-current*

The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
• what is meant by a right to defer settlement;
• that a right to defer must exist at the end of the reporting period;
• that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
• that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.
The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

-*Supplier Finance Arrangements* – Amendments to KIFRS 1007 and KIFRS 1107

The amendments to KIFRS 1007 *Statement of Cash Flows* and KIFRS 1107 *Financial Instruments: Disclosures* clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.
The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed.
The amendments are not expected to have a material impact on the Group's consolidated financial statements.

-*Lack of Exchangeability* - Amendments to KIFRS 1021 and KIFRS 1101

The amendments to KIFRS 1021 *The Effects of Changes in Foreign Exchange Rates* and consequential amendments to KIFRS 1101 *First-time Adoption of IFRS* 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 require disclosure of information that enables users of financial statements to understand the risk and impact of a currency not being exchangeable.
The amendments apply to annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted, in which case, an entity is required to disclose that fact. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

(2) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and its subsidiaries) for each year ended December 31. Control is achieved when the Group 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee; and 3) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;

(2) Basis of consolidation (con'd)

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired, or disposed of, during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring the accounting policies used in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at 1) fair value or 2) at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition, plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable KIFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under KIFRS 1109, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

(3) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair

(3) Business combination (con'd)

value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with KIFRS 1012 and KIFRS 1019, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with KIFRS 1102 at the acquisition date; or
- assets (or disposal groups) that are classified as held for sale in accordance with KIFRS 1105, Non-Current Assets Held for Sale and Discontinued Operations, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates, and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value, and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

(4) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

(4) Investments in associates and joint ventures (con'd)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case, it is accounted for in accordance with KIFRS 1105. Under the equity method, an investment in an associate or a joint venture is recognized initially in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of KIFRS 1028 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with KIFRS 1036 as a single asset by comparing its recoverable amount (higher of value in use and fair value, less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with KIFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with KIFRS 1109. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies KIFRS 1109, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the

(4) Investments in associates and joint ventures (con'd)

investee. Furthermore, in applying KIFRS 1109 to long-term interests, the Group does not take into account adjustments to their carrying amount required by KIFRS 1028 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with KIFRS 1028).

(5) Goodwill

Goodwill resulting from an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently, when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill resulting from the acquisition of an associate is described at Note 2.(4).

(6) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the consolidated financial statements.
In preparing the consolidated financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

• exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
• exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
• exchange differences on monetary items receivable from, or payable to, a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

(7) Cash and cash equivalents

Cash and cash equivalents include cash, savings and checking accounts and highly liquidated (maturities of three months or less from acquisition) short-term investments. Bank overdrafts are accounted for as short-term borrowings.

(8) Financial instruments

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

(9) Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently at amortized cost or fair value, depending on the classification of the financial assets.

1) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model, whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model, whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see 1–3) below); or
- the Group may irrevocably designate a debt investment that meets the criteria of amortized cost or FVTOCI as measured at FVTPL; if doing so, eliminates or significantly reduces an accounting mismatch (see 1–4) below).

1-1) Amortized cost and effective interest rate method
The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e., assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses ("ECLs"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECLs, to the amortized cost of the debt

2. MATERIAL ACCOUNTING POLICIES (con'd):

(9) Financial assets (con'd):

instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit and is included in the "finance income - interest income under the effective interest rate method" line item (see Note 33).

1-2) Debt instruments classified as at FVTOCI
The corporate bonds held by the Group are classified as at FVTOCI. Fair value is determined in the manner described in Note 5. The corporate bonds are initially measured at fair value, plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses and interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

1-3) Equity instruments designated as at FVTOCI
On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit taking.

Investments in equity instruments at FVTOCI are initially measured at fair value, plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments; instead, it is transferred to retained earnings.

2. MATERIAL ACCOUNTING POLICIES (con'd):

(9) Financial assets (con'd):

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with KIFRS 1109, unless the dividends clearly represent a recovery of part of the cost of the investment.

1-4) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL.

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see 1–3) above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see 1–1) and 1–2) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.
- Derivatives (designated as financial guarantee contracts or effective derivatives designated as hedging items are excluded).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset, and is included in the 'finance income and finance cost' line item (see Note 34). Fair value is determined in the manner described in Note 5.

2) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and is translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'finance income and finance cost' line item (see Notes 33 and 34);
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'finance income and finance cost' line item (see Notes 33 and 34). Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'finance income and finance cost' line item (see Notes 33 and 34); and
- for equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

3) Impairment of financial assets

The Group recognizes a loss allowance for ECLs on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECLs for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and valuation of individual assets, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current, as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

2. MATERIAL ACCOUNTING POLICIES (con'd):

(9) Financial assets (con'd):

For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECLs represent the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3-1) Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- an actual or expected significant deterioration in the operating results of the debtor;
- adverse changes in business, financial, and economic conditions that currently exist or are predicted in the future, which are expected to cause a significant decrease in the debtor's ability to repay their debts;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition, if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) the financial instrument has a low risk of default;
(2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; or
(3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing.' Performing means that the counterparty has a strong financial position and there are no past-due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3-2) Definition of default
The Group believes that, in past experience, if the borrower violates the terms of the contract, it is considered to constitute a default event for internal credit risk management purposes.

Irrespective of the above analysis, the Group considers that default has occurred, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3-3) Credit-impaired financial assets
A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see 3-2) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3-4) Write-off policy
The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are more than three years' past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice, where appropriate.

(9) Financial assets (con'd):

3-5) Measurement and recognition of ECLs
The measurement of ECLs is a function of the probability of default, loss-given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss-given default is based on historical data adjusted by forward-looking information, as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECLs are consistent with the cash flows used in measuring the lease receivable in accordance with KIFRS 1116 *Leases*.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECLs in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECLs are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

4) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and, substantially, all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument, which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(10) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories, except for those in transit measured using specific identification of their individual costs, is measured under the moving-average method and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss

2. MATERIAL ACCOUNTING POLICIES (con'd):

(10) Inventories(con'd):

occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(11) Property and equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Assets	Estimated useful lives (years)
Building	50
Interior	5
Vehicles	5
Tools, furniture and fixtures	5–10

If each part of an item of property and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Group reviews the depreciation method, the estimated useful lives and residual values of property and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(12) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost, less accumulated depreciation and accumulated impairment losses.

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

While land is not depreciated, building is depreciated based on the estimated useful lives (50 years) using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

2. MATERIAL ACCOUNTING POLICIES (con'd):

(13) Government grants

Government grants are not recognized until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants related to assets are presented in the consolidated statements of financial position by deducting the grant from the carrying amount of the asset. The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants toward staff retraining costs are recognized as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

(14) Lease

1) The Group as lessee

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs, including the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

- fixed-lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statements of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2. MATERIAL ACCOUNTING POLICIES (con'd):

(14) Lease (con'd):

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or a rate, or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost, less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under KIFRS 1037. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statements of financial position.

The Group applies KIFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy (see Note 2.(11)).

Variable rents that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, KIFRS 1116 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2) The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

2. MATERIAL ACCOUNTING POLICIES (con'd):

(14) Lease (con'd):

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group shall add initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognize those costs as an expense over the lease term on the same basis at the lease income.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of KIFRS 1109, recognizing an allowance for ECLs on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies KIFRS 1115 to allocate the consideration under the contract to each component.

(15) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and the amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

2) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

4) Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives.

(16) Impairment of property and equipment and intangible assets other than goodwill

2. MATERIAL ACCOUNTING POLICIES (con’d):

(16) Impairment of property and equipment and intangible assets other than goodwill (con’d):

At each reporting date, the Group reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units; otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that an asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell and value in use. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(17) Financial liabilities and equity instruments

1) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

3) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts are issued by the Group, are measured in accordance with the specific accounting policies set out below.

4) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when a financial liability is (i) a contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if:

• it has been acquired principally for the purpose of repurchasing in the near term;

(17) Financial liabilities and equity instruments (con'd):

- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities, or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and KIFRS 1109 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'finance cost' line item (see Note 34).

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognized in profit or loss.

Fair value is determined in the manner described in Note 5.

5) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

6) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'finance income and finance cost' line item in profit or loss (see Notes 33 and 34) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and

(17) Financial liabilities and equity instruments (con'd):

accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

7) Derecognition of financial liabilities

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

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between (1) the carrying amount of the liability before the modification and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other non-operating income and expense.

(18) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and foreign currency swaps.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

A derivative with a positive fair value is recognized as a financial asset, whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the consolidated financial statements, unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

1) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of KIFRS 1109 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of KIFRS 1109 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host

(18) Derivative financial instruments (con'd):

contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months.

(19) Retirement benefit costs and termination benefits

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit pension plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest), are recognized immediately in the consolidated statements of financial position, with a charge or credit recognized in the consolidated statements of comprehensive income, in the period in which they occur. Remeasurements recognized in the consolidated statements of comprehensive income are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs or when the Group recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost and past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

Service cost is recognized within selling and administrative expenses, net interest expense or income is recognized within finance costs, and remeasurement component is recognized in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g., contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by KIFRS 1019 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost by attributing contributions to the employees' periods of service in accordance with KIFRS 1019 paragraph 70.

2. MATERIAL ACCOUNTING POLICIES (con'd):

(20) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

1) Restoration provisions

Provisions for the costs to restore leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognized when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at management's best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

(21) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer. On the other hand, the Group mainly generates sales through department stores, hypermarket and direct management stores. The Group recognizes revenue from the following major sources:

1) Sale of goods – Corporate customers

The Group recognizes revenue when goods are shipped to a customer's specific location and control of the goods is transferred to the customer. After the goods are delivered, the customer has full discretion in the manner of distributing the goods and pricing, when the Group sells goods, and has a primary responsibility and risk of loss or obsolescence of goods. Accordingly, the Group recognizes receivables when the goods are delivered to customers.

2) Sale of goods – Individual customers

For sales of goods to individual customers, revenue is recognized when control of the goods has transferred, being at the point the customer purchases the goods. Payment of the transaction price is due immediately at the point the customer purchases the goods. Under the Group's standard contract terms, customers have a right of return within certain period. At the point of sale, a refund liability and a corresponding adjustment to revenue are recognized for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return, so consequently recognizes a right to returned goods asset and a corresponding adjustment to cost of sales.

2. MATERIAL ACCOUNTING POLICIES (con'd):

(21) Revenue recognition (con'd):

3) Sale of goods – Customer loyalty program
The Group operates a loyalty program through which retail customers accumulate points on purchased goods that entitle them to discounts on future purchases. These points provide a discount to customers that they would not receive without purchasing the goods. The promise to provide the discount to the customer is, therefore, a separate performance obligation.

The transaction price is allocated between the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the discount to be given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Group's historical experience. A contract liability is recognized for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognized when the points are redeemed by the customer. Revenue for points that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

4) Sale of goods – Right of return assets

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in KIFRS 1115 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognizes a refund liability. A right-of-return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

-Right-of-return assets

Right-of-return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

-Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received or receivable from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities and the corresponding change in the transaction price at the end of each reporting period. Refer to above accounting policy on variable consideration.

(22) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgment of tax

(22) Taxation (con'd):

professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

2) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2. MATERIAL ACCOUNTING POLICIES (con'd):

(23) Non-current assets classified as held-for-sale

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell or to distribute.

The Group classifies non-current assets or disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. The criteria for held for distribution classification is regarded as met only when the distribution is highly probable, and the asset or disposal group is available for immediate distribution in its present condition. Management must be committed to the distribution expected within one year from the date of the classification.

3. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(1) Material judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see Note 3. (2)) that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

1) Revenue recognition
In applying KIFRS 1115 *Revenue from Contracts with Customers* to determine when to fulfill performance obligation, management considers the detailed criteria for the recognition of revenue set out in KIFRS 1115 and, in particular, whether the Group had transferred control of the goods to a customer.

2) Business model assessment
Classification and measurement of financial assets depend on the results of the solely payments of principal and interest and the business model test (see Note 2.(9)). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence, including how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or FVTOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which an asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

3) Significant increase in credit risk
As explained in Note 2, if the credit risk of a financial instrument does not increase significantly after initial recognition, the allowance for doubtful receivables is measured at the amount equivalent to the expected 12-month credit loss. If the credit risk of the financial instrument is significantly increased after initial recognition, the Group measures the allowance for losses by the amount corresponding to the lifetime ECLs when its credit risk has increased significantly since initial recognition. KIFRS 1109 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

3. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (con'd):

(1) Material judgments in applying accounting policies (con'd):

Key sources of estimation uncertainty

1) Useful lives of property and equipment

As described in Note 2.(11) above, the Group reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

2) Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss-given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

3) Defined benefit plan

The Group's defined benefit obligation is determined based on the actuarial valuation carried out at the end of each annual reporting period. Actuarial assumptions are the Group's best estimates of the variables in determining the cost of providing postretirement benefits, such as discount rates, rates of expected future salary increases and mortality rates. Significant estimation uncertainty is likely to persist in making such assumptions due to the long-term nature of postretirement benefit plan.

4) Valuation of financial instruments

As described in Note 5, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain type of financial instruments. Note 5 provides detailed information about key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

5) Impairment testing

Following the assessment of the recoverable amount of goodwill allocated, management considers the recoverable amount of goodwill allocated to be most sensitive to the achievement of the 2023 budget. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the board of directors. The revenue projections are inherently uncertain due to the short-term nature of the business and unstable market conditions.

4. SEGMENT INFORMATION:

(1) Products and services from which reportable segments derive their revenues

Information reported to the Group's management for the purposes of resource allocation and assessment of segment performance is focused on the category of customer for each type of activity. Its customers are classified into two: individual; and corporate. The Group's reportable segments under KIFRS 1108 are as follows:

Division	Contents of main business	Major customers
Fashion and Lifestyle	Manufacturing and wholesale and retail of fashion and lifestyle	Individual and corporate
Cosmetics	Cosmetics manufacturing and wholesale and retail	

(2) Financial segment information (in thousands of Korean won)

	2023					
	Fashion and Lifestyle		Cosmetics			
	Domestic	Overseas	Domestic	Overseas	Common	Total
Sales	₩ 974,629,748	₩ -	₩ 366,911,068	₩ 12,786,350	₩ -	₩ 1,354,327,166
Operating income (loss)	33,625,681	(81,280)	15,159,743	29,285	-	48,733,429
Depreciation	37,501,334	-	10,487,754	245,447	-	48,234,535
Amortization	6,707,214	-	3,987,191	261,728	-	10,956,133
Total assets (*1)	225,687,261	-	52,997,941	3,374,456	1,042,009,927	1,324,069,585
Total liabilities (*1)	-	-	-	-	472,354,836	472,354,836

(*1) Since the Group does not internally differentiate assets and liabilities, except for inventory assets, and those are not reported to management individually, its total assets and total liabilities are presented in the common column in the aggregate.

	2022					
	Fashion and Lifestyle		Cosmetics			
	Domestic	Overseas	Domestic	Overseas	Common	Total
Sales	₩ 1,190,833,143	₩ 156,827	₩ 349,152,687	₩ 13,734,660	₩ -	₩ 1,553,877,317
Operating income (loss)	97,750,951	(553,350)	13,556,040	4,516,871	-	115,270,512
Depreciation	38,303,995	71,711	8,738,364	307,639	-	47,421,709
Amortization	5,929,206	-	3,855,160	121,485	-	9,905,851
Total assets (*1)	245,703,255	-	38,693,419	4,840,801	989,444,340	1,278,681,815
Total liabilities (*1)	-	-	-	-	445,005,787	445,005,787

(*1) Since the Group does not internally differentiate assets and liabilities, except for inventory assets, and those are not reported to management individually, its total assets and total liabilities are presented in the common column in the aggregate.

(3) Major customers

There was no single major customer making up for more than 10% of the Group's sale.

5. FINANCIAL INSTRUMENTS BY CATEGORIES:

The Group categorizes the financial assets and financial liabilities measured at fair value into the following three-level fair value hierarchy in accordance with the inputs used for the fair value measurement:

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

(1) Categories of financial assets as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023			
	Book value			Fair value
	Financial assets carried subsequently at amortized cost	Financial assets measured at FVTPL	Total	
Cash and cash equivalents (*1)	₩ 153,501,152	₩ -	₩ 153,501,152	₩ 153,501,152
Short-term financial instruments (*1)	20,000,000	-	20,000,000	20,000,000
Long-term financial instruments (*1)	2,000	-	2,000	2,000
Trade and other receivables (*1)	124,567,456	-	124,567,456	124,567,456
Financial assets measured at FVTPL (*1) (*2)	-	38,896,860	38,896,860	38,896,860
Derivative assets (*2)	-	9,360,584	9,360,584	9,360,584
Other financial assets (*1)	54,314,531	-	54,314,531	54,314,531
	₩ 352,385,139	₩ 48,257,444	₩ 400,642,583	₩ 400,642,583

(*1) Considered that the book value of financial instruments is similar to their fair value.
(*2) Including non-current financial liabilities.

	December 31, 2022			
	Book value			Fair value
	Financial assets carried subsequently at amortized cost	Financial assets measured at FVTPL	Total	
Cash and cash equivalents (*1)	₩ 48,752,301	₩ -	₩ 48,752,301	₩ 48,752,301
Short-term financial instruments (*1)	32,003,491	-	32,003,491	32,003,491
Long-term financial instruments (*1)	2,000	-	2,000	2,000
Trade and other receivables (*1)	148,521,220	-	148,521,220	148,521,220
Financial assets measured at FVTPL (*1) (*2)	-	51,831,429	51,831,429	51,831,429
Finance leases receivables (*1) (*2)	180,485	-	180,485	180,485
Derivative assets (*2)	-	12,420,804	12,420,804	12,420,804
Other financial assets (*1)	42,158,873	-	42,158,873	42,158,873
	₩ 271,618,370	₩ 64,252,233	₩ 335,870,603	₩ 335,870,603

(*1) Considered that the book value of financial instruments is similar to their fair value.
(*2) Including non-current financial liabilities.

5. FINANCIAL INSTRUMENTS BY CATEGORIES (con'd):

(2) Categories of financial liabilities as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023							
	Book value						Fair value	
	Financial liabilities carried subsequently at amortized cost		Financial liabilities measured at FVTPL		Total			
Trade and other payables (*1)	₩	81,069,628	₩	-	₩	81,069,628	₩	81,069,628
Borrowings and debentures (*1) (*2)		220,860,790		-		220,860,790		220,860,790
Lease liabilities (*1) (*2)		91,865,343		-		91,865,343		91,865,343
Derivative liabilities		-		399,178		399,178		399,178
Other financial liabilities (*1) (*2)		31,251,223		-		31,251,223		31,251,223
	₩	425,046,984	₩	399,178	₩	425,446,162	₩	425,446,162

(*1) It is considered that the book value of financial instruments is similar to their fair value.
(*2) Including non-current financial assets.

	December 31, 2022							
	Book value						Fair value	
	Financial liabilities carried subsequently at amortized cost		Financial liabilities measured at FVTPL		Total			
Trade and other payables (*1)	₩	100,401,148	₩	-	₩	100,401,148	₩	100,401,148
Borrowings and debentures (*1) (*2)		174,332,738		-		174,332,738		174,332,738
Lease liabilities (*1) (*2)		95,316,379		-		95,316,379		95,316,379
Derivative liabilities		-		2,739,047		2,739,047		2,739,047
Other financial liabilities (*1) (*2)		28,789,752		-		28,789,752		28,789,752
	₩	398,840,017	₩	2,739,047	₩	401,579,064	₩	401,579,064

(*1) It is considered that the book value of financial instruments is similar to their fair value.
(*2) Including non-current financial assets.

5. FINANCIAL INSTRUMENTS BY CATEGORIES (con'd):

(3) Profits or losses from financial instruments by category for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023				
	Financial assets measured subsequently at amortized cost	Financial assets measured at FVTPL	Financial liabilities measured subsequently at amortized cost	Financial liabilities measured at FVTPL	Total
Interest income (expenses)	₩ 4,430,502	₩ 56,303	₩ (8,872,161)	₩ -	₩ (4,385,356)
Loss on transaction of derivatives	-	(626,492)	-	(266,893)	(893,385)
Loss on valuation of derivatives	-	(222,020)	-	(399,178)	(621,198)
Gain (loss) on disposition	65,197	(538,968)	-	-	(473,771)
Loss on foreign currency transaction	(133,317)	-	(693,281)	-	(826,598)
Loss on foreign currency translation	(39,084)	-	(317,184)	-	(356,265)
Remeasurement of loss allowance	(2,037,634)	-	-	-	(2,037,634)
	₩ 2,285,667	₩ (1,331,177)	₩ (9,882,626)	₩ (666,071)	₩ (9,594,207)

	2022				
	Financial assets measured subsequently at amortized cost	Financial assets measured at FVTPL	Financial liabilities measured subsequently at amortized cost	Financial liabilities measured at FVTPL	Total
Interest income (expenses)	₩ 2,123,899	₩ 29,438	₩ (5,614,834)	₩ -	₩ (3,461,497)
Gain (loss) on valuation of derivatives	-	8,642,646	-	(1,310,020)	7,332,626
Gain on valuation	-	6,688,970	-	-	6,688,970
Gain on disposition	172,799	-	-	-	172,799
Gain (loss) on foreign currency transaction	440,170	-	(609,911)	-	(169,741)
Loss on foreign currency translation	(417,446)	-	(4,300,147)	-	(4,717,593)
Remeasurement of loss allowance	21,415	-	-	-	21,415
	₩ 2,340,837	₩ 15,361,054	₩ (10,524,892)	₩ (1,310,020)	₩ 5,866,979

5. FINANCIAL INSTRUMENTS BY CATEGORIES (con'd):

(4) Fair value of the Group's financial assets and financial liabilities that are measured at fair value repeatedly.

Financial assets/financial liabilities	Fair Value December 31, 2023	Fair Value December 31, 2022	Fair value hierarchy	Valuation techniques and key input	Significant unobservable inputs	Correlation between unobservable inputs and the fair value
Currency Swap Assets (Note 20)	9,360,584	12,420,804	Level 2	Discounted cash flow The discount rate used to measure the fair value of currency swap is based on the applicable yield curve which is derived from the disclosed interest rate in the market as of the end of the reporting period. The fair value is measured by discounting estimated future cash flows of swap at an appropriate discount rate based on closing exchange rate.	N/A	N/A
Currency Swap Liabilities (Note 20)	399,178	2,739,047	Level 2	Discounted cash flow The discount rate used to measure the fair value of currency swap is based on the applicable yield curve which is derived from the disclosed interest rate in the market as of the end of the reporting period. The fair value is measured by discounting estimated future cash flows of swap at an appropriate discount rate based on closing exchange rate.	N/A	N/A
Unlisted Stock (Note 7)	4,501,899	4,284,671	Level 3	Discounted cash flow The fair value of unlisted stock is measured by applying the discounted cash flow method.	Weighted Average Cost of Capital (WACC) (10.7%)	Fair value decreases (increases) as WACC increases (decreases) when other things are the same.
Convertible preferred stock and Convertible bonds (Note 7)	20,717,539	19,717,864	Level 3	Discounted cash flow It is measured by discounting estimated futu re cash flows at an appropriate discount rate, based on CRR binomial model evaluation results.	Volatility (37.3%)	Fair value increases (decreases) as volatility increases (decreases) when other things are the same.

6. RESTRICTED FINANCIAL INSTRUMENTS:

Financial instruments subject to withdrawal restrictions as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

Account	Withdrawal restrictions	December 31, 2023	December 31, 2022
Financial assets measured at FVTPL	Shared growth fund	₩ 12,000,000	₩ 11,000,000
Long-term financial instruments	Guarantee deposit for checking accounts	2,000	2,000
		₩ 12,002,000	₩ 11,002,000

7. FINANCIAL ASSETS MEASURED AT FVTPL:

(1) Details of financial assets measured at FVTPL as of December 31, 2023 are as follows (in thousands of Korean won):

Description	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Capital contributions	₩ 70,000	₩ -	₩ 70,000	₩ -
Shared growth fund (*1)	-	12,000,000	-	11,000,000
Convertible bonds for investment (*2)	-	-	15,924,150	-
Investments in equity instruments (*3)	-	607,422	-	834,743
Investments in equity instruments (*4)	-	1,000,000	-	-
Shares of investment association (*5)	-	25,219,438	-	24,002,535
	₩ 70,000	₩ 38,826,860	₩ 15,994,150	₩ 35,837,278

(*1) The Group classified financial assets that were restricted in use as a shared growth fund as financial assets at FVTPL.
(*2) Investment shares in Moncler Korea Inc. held by the Group.
(*3) The Group classified the investment shares in the New Business Technology Investment Association as financial assets measured at FVTPL.
(*4) The Group classified their investment shares in the Shinsegae-KDBC Atelier Venture Fund, which were purchased for the purpose of investing in fashion brands and retail tech, as financial assets measured at FVTPL
(*5) The Group classified the convertible bonds (KRW 5,946 million) acquired from Rael Korea and the convertible preferred stocks (KRW 14,771 million) and common stocks (KRW 4,502 million) held as investment in Rael Inc. as financial assets measured at FVTPL.

8. TRADE AND OTHER RECEIVABLES:

(1) Details of trade and other receivables as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

Account	December 31, 2023	December 31, 2022
Trade receivables	₩ 103,357,016	₩ 118,577,768
Less: Loss allowance	(1,894,213)	(17,762)
Trade receivables (net)	101,462,803	118,560,006
Other receivables	22,003,892	29,629,838
Less: Loss allowance	-	(2,773)
Other receivables (net)	22,003,892	29,627,065
Accrued income	1,100,761	334,149
	₩ 124,567,456	₩ 148,521,220

8. TRADE AND OTHER RECEIVABLES (con'd):

(2) Credit risk and loss allowance

The average credit period on sales of goods is 30–45 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade and other receivables at an amount equal to lifetime ECLs (Expected Credit Losses). The ECLs on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current, as well as the forecast direction of conditions at the reporting date. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

For example, the Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or when the trade receivables are more than three years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

1) The following table details the risk profile of trade receivables based on the Group's provision matrix as of December 31, 2023 and 2022 (in thousands of Korean won):

	December 31, 2023		
	Trade receivables	Other receivables	Accrued income
Total book value	₩ 103,357,016	₩ 22,003,892	₩ 1,100,761
Less: Individually assessed	(80,787,131)	(16,460,553)	-
Collectively assessed	22,568,885	5,543,339	1,100,761
ECL rate (*1)	0.00%~9.54%	0.00%	-
Less: Lifetime ECLs	(179,304)	-	-
Less: Individually assessed allowance	(1,714,909)	-	-
Net book value	₩ 101,462,803	₩ 22,003,892	₩ 1,100,761

(*1) The Group estimates the non-performing default rate by applying the default rate based on the total amount of the receivables and the amount of the credit losses of the collective bond valuations, excluding the individual bond valuations. The Group did not classify the receivables by delinquency period as most counterparties' credit risk is low.

	December 31, 2022		
	Trade receivables	Other receivables	Accrued income
Total book value	₩ 118,577,768	₩ 29,629,838	₩ 334,149
Less: Individually assessed	(97,581,769)	(903,435)	-
Collectively assessed	20,995,999	28,726,403	334,149
ECL rate (*1)	0.00%~9.02%	0.00%~0.01%	-
Less: Lifetime ECLs	(17,762)	(2,773)	-
Less: Individually assessed allowance	-	-	-
Net book value	₩ 118,560,006	₩ 29,627,065	₩ 334,149

(*1) The Group estimates the non-performing default rate by applying the default rate based on the total amount of the receivables and the amount of the credit losses of the collective bond valuations, excluding the individual bond valuations. The Group did not classify the receivables by delinquency period as most counterparties' credit risk is low.

8. TRADE AND OTHER RECEIVABLES (con'd):

2) Details of changes in loss allowance for trade and other receivables for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

2023	Beginning balance	Loss allowance (reversal)	Others	Ending balance
Trade receivables	₩ 17,762	₩ 1,883,079	₩ (6,628)	₩ 1,894,213
Other receivables	2,773	(2,773)	-	-
	₩ 20,535	₩ 1,880,306	₩ (6,628)	₩ 1,894,213

2022	Beginning balance	Loss allowance (reversal)	Others	Ending balance
Trade receivables	₩ 46,822	₩ (22,149)	₩ (6,911)	₩ 17,762
Other receivables	2,039	734	-	2,773
	₩ 48,861	₩ (21,415)	₩ (6,911)	₩ 20,535

9. FINANCE LEASE RECEIVABLES:

(1) Details of finance lease receivables as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023		December 31, 2022	
	Undiscounted lease payments	Net investment in the lease	Undiscounted lease payments	Net investment in the lease
Current assets	₩ -	₩ -	₩ 96,000	₩ 95,001
Non-current assets	-	-	88,000	85,484
	₩ -	₩ -	₩ 184,000	₩ 180,485

(2) As a lessor, the Group enters into financial lease agreements in the form of sublease for some of the assets.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in Korean won.

Details of amounts receivable under finance leases as of December 31, 2023 and 2022, are as follows (in thousands of Korean won):

	December 31, 2023	December 31, 2022
Less than 1 year	₩ -	₩ 96,000
1 year–2 years	-	88,000
2 years–3 years	-	-
More than 3 years	-	-
	-	184,000
Less: Unearned finance income	-	(3,515)
Subtotal: Present value of minimum lease payments	-	180,485
Less: Loss allowance	-	-
Net investment in the lease	₩ -	₩ 180,485

Amounts recognized in profit or loss for each of the two years in the period ended December 31, 2023 are as follows
(in thousands of Korean won):

9. FINANCE LEASE RECEIVABLES (con'd):

		2023		2022
Finance income on the net investment in finance leases	₩	1,331	₩	4,457

The Group's lease commitment does not include variable lease payment. The effective interest rate contracted is 1.94% per annum.

(3) Impairment of finance lease receivables:

The Group estimates the loss allowance on finance lease receivables at an amount equal to lifetime ECLs. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables, the management considers that no finance lease receivable is impaired.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

10. OTHER FINANCIAL ASSETS:

(1) Details of other financial assets as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023		December 31, 2022	
	Non-current		Non-current	
Financial assets measured subsequently at amortized cost				
Leasehold deposits	₩	54,314,531	₩	41,578,123
Long-term receivables		-		580,750
	₩	54,314,531	₩	42,158,873

(2) Impairment of other financial assets

The Group recognizes the loss allowance for the deposit at the amount equivalent to the ECL for the entire period.

In determining the ECLs for these assets, management of the Group has taken into account the historical default experience and the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of the redeemable notes, bills of exchange and debentures operate; obtained from economic expert reports and financial analyst reports and by considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other financial assets and no changes in ECLs for each of the two years in the period ended December 31, 2023.

11. INVENTORIES:

(1) Details of inventories as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023		
	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	₩ 230,583,545	₩ (36,731,364)	₩ 193,852,181
Finished goods	70,976,868	(10,392,781)	60,584,087
Work in process	1,545,365	-	1,545,365
Raw materials	4,938,977	(302,830)	4,636,147
Supplies	5,372,956	-	5,372,956
Goods in transit	16,068,922	-	16,068,922
	₩ 329,486,633	₩ (47,426,975)	₩ 282,059,658

	December 31, 2022		
	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	₩ 245,834,707	₩ (32,857,344)	₩ 212,977,363
Finished goods	57,754,512	(10,766,633)	46,987,879
Work in process	1,374,082	-	1,374,082
Raw materials	5,058,657	(230,775)	4,827,882
Supplies	4,450,779	-	4,450,779
Goods in transit	18,619,490	-	18,619,490
	₩ 333,092,227	₩ (43,854,752)	₩ 289,237,475

The cost of inventories recognized as an expense during the year ended December 31, 2023 includes the valuation losses of ₩3,572,223 thousand (₩226,767 thousand in 2022) as a decrease of inventories to net realizable value.

(2) As of December 31, 2023, inventories are insured against fire and other casualty losses for up to ₩259,225,984 thousand by Samsung Fire & Marine Insurance Co., Ltd.

12. OTHER ASSETS:

Details of other assets as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Advance payments	₩ 3,340,442	₩ -	₩ 4,906,610	₩ -
Prepaid expenses	4,766,876	5,593	3,952,811	-
Return inventory collection rights	771,904	-	763,596	-
Net defined benefit assets	-	10,057,634	-	15,933,666
	₩ 8,879,222	₩ 10,063,227	₩ 9,623,017	₩ 15,933,666

13. SUBSIDIARIES:

(1) Details of subsidiaries as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

Name of subsidiary	Location	Business	Fiscal year end	Ownership of the Group (%) December 31, 2023	Ownership of the Group (%) December 31, 2022	Ownership of the non-controlling interest (%) December 31, 2023	Ownership of the non-controlling interest (%) December 31, 2022
Shinsegae Tomboy Inc.	Korea	Manufacturing and retail sale of clothing goods	December 31	96.31	95.78	3.69	4.22
Shinsegae International Vietnam Co., Ltd.	Vietnam	Retail sale of stuff and merchandise	December 31	100.00	100.00	-	-
Jiyike Trading (SHANGHAI) Co., Ltd.	China	Retail sale of clothing goods and cosmetics	December 31	100.00	100.00	-	-
PP Produits Prestiges S.A.	Switzerland	Retail sale of cosmetics	December 31	100.00	100.00	-	-
Signite Rael Venture Fund (*1)(*2)	Korea	Financial investment	December 31	53.83	-	46.17	46.17

(*1) Signite Rael Venture Fund is included as a subsidiary as the Group acquired control through the acquisition of shares for the year ended December 31, 2022.

(*2) The Parent Company cannot control the liquidation of Signite Rael Venture Fund, which is a subsidiary and a venture investment association, because the duration of the association is fixed. Non-controlling interests in the subsidiary is classified as financial liabilities because the investment code requires to distribute the net asset of the subsidiary in accordance with the equity ratio in the case of liquidation (Refer to Note 23).

(2) Subsidiary newly included in the consolidation scope for the year ended December 31, 2022 is as follow:

Subsidiary	Reason
Signite Rael Venture Fund	New establishment

(3) The summarized financial information of the subsidiaries as of December 31, 2023 and 2022 is as follows (in thousands of Korean won):

	2023				
	Shinsegae Tomboy Inc.	Shinsegae International Vietnam Co., Ltd.	Jiyike Trading (SHANGHAI) Co., Ltd.	PP Produits Prestiges S.A.	Signite Rael Venture Fund
Current assets	₩ 99,951,269	₩ 388,083	₩ 6,576,470	₩ 20,962,402	₩ 2,186,612
Non-current assets	24,021,634	-	149,792	9,556,895	25,219,438
Total assets	123,972,903	388,083	6,726,262	30,519,297	27,406,050
Current liabilities	60,268,471	-	5,731,859	665,287	157,954
Non-current liabilities	1,240,784	-	-	597,441	12,581,629
Total liabilities	61,509,255	-	5,731,859	1,262,728	12,739,583
Equity attributable to owners of the Group	59,741,555	388,083	994,403	29,256,569	14,666,467
Non-controlling interests	2,722,093	-	-	-	-
Total equities	₩ 62,463,648	₩ 388,083	₩ 994,403	₩ 29,256,569	₩ 14,666,467
Sales	₩ 159,462,414	₩ -	₩ 13,926,072	₩ 9,964,639	₩ 14,371
Operating income (loss)	13,286,715	(81,280)	(501,328)	1,561,080	(566,325)
Net income (loss)	11,600,657	(73,538)	(443,106)	1,184,210	350,206
Other comprehensive income (loss)	171,327	(2,171)	3,364	2,057,184	-
Total comprehensive income (loss)	₩ 11,771,984	₩ (75,709)	₩ (439,742)	₩ 3,241,394	₩ 350,206

13. SUBSIDIARIES (con'd):

(*) Summarized financial information of the subsidiaries consists of the amounts after reflecting the adjustments of fair value that occurred on business combination and accounting policy differences between the Group and its subsidiaries.

	2022				
	Shinsegae Tomboy Inc.	Shinsegae International Vietnam Co., Ltd.	Jiyike Trading (SHANGHAI) Co., Ltd.	PP Produits Prestiges S.A.	Signite Rael Venture Fund
Current assets	₩ 70,248,272	₩ 461,215	₩ 6,902,392	₩ 17,568,364	₩ 2,733,687
Non-current assets	18,651,577	2,578	175,003	9,644,866	24,002,535
Total assets	88,899,849	463,793	7,077,395	27,213,230	26,736,222
Current liabilities	13,064,930	-	5,643,250	834,544	138,704
Non-current liabilities	1,144,973	-	-	376,359	12,281,257
Total liabilities	14,209,903	-	5,643,250	1,210,903	12,419,961
Equity attributable to owners of the Group	71,531,691	463,793	1,434,145	26,002,327	14,316,261
Non-controlling interests	3,158,255	-	-	-	-
Total equities	₩ 74,689,946	₩ 463,793	₩ 1,434,145	₩ 26,002,327	₩ 14,316,261
Sales	₩ 111,478,109	₩ 156,827	₩ 9,577,435	₩ 8,836,695	₩ 1,172,432
Operating income (loss)	11,890,043	(553,350)	(306,487)	4,230,964	587,518
Net income (loss)	12,337,321	(721,085)	(146,922)	3,788,053	587,518
Other comprehensive income (loss)	226,443	(159,390)	(44,528)	820,519	-
Total comprehensive income (loss)	₩ 12,563,764	₩ (880,475)	₩ (191,450)	₩ 4,608,572	₩ 587,518

(*) Summarized financial information of the subsidiaries consists of the amounts after reflecting the adjustments of fair value that occurred on business combination and accounting policy differences between the Group and its subsidiaries.

13. SUBSIDIARIES (con'd):

(4) The summarized cash flow information (before elimination of internal transaction) of the subsidiaries for each of the two years in the period ended December 31, 2023 is as follows (in thousands of Korean won):

	2023				
	Shinsegae Tomboy Inc.	Shinsegae International Vietnam Co., Ltd.	Jiyike Trading (SHANGHAI) Co., Ltd.	PP Produits Prestiges S.A.	Signite Rael Venture Fund
Cash flows from operating activities	₩ 16,728,422	₩ (73,741)	₩ 1,359,107	₩ 2,712,759	₩ (547,075)
Cash flows from investing activities	(49,014,563)	6,138	(3,803)	(602,317)	-
Cash flows from financing activities	34,995,838	-	(34,685)	(179,596)	-
Net increase (decrease) in cash and cash equivalents	2,709,697	(67,603)	1,320,619	1,930,846	(547,075)
Cash and cash equivalents – beginning of year	3,946,040	255,668	2,261,155	11,911,703	2,733,687
Effect of exchange rate changes on cash and cash equivalents	-	(407)	(31,637)	1,344,127	-
Cash and cash equivalents – end of year	₩ 6,655,737	₩ 187,658	₩ 3,550,137	₩ 15,186,676	₩ 2,186,612

	2022				
	Shinsegae Tomboy Inc.	Shinsegae International Vietnam Co., Ltd.	Jiyike Trading (SHANGHAI) Co., Ltd.	PP Produits Prestiges S.A.	Signite Rael Venture Fund
Cash flows from operating activities	₩ 11,146,900	₩ (544,991)	₩ 1,707,909	₩ 1,350,471	₩ (23,276,313)
Cash flows from investing activities	(15,050,982)	272,427	85	(1,076,433)	-
Cash flows from financing activities	(1,402,206)	(54,462)	(772,543)	(167,242)	26,010,000
Net increase (decrease) in cash and cash equivalents	(5,306,288)	(327,026)	935,451	106,796	2,733,687
Cash and cash equivalents – beginning of year	9,252,329	557,271	1,411,606	11,155,059	-
Effect of exchange rate changes on cash and cash equivalents	-	25,423	(85,902)	649,847	-
Cash and cash equivalents – end of year	₩ 3,946,041	₩ 255,668	₩ 2,261,155	₩ 11,911,702	₩ 2,733,687

(5) Ownership interest held by non-controlling interests, the financial position and the results of operations attributable to non-controlling interest as of December 31, 2023 are as follows (in thousands of Korean won):

Investee	Ownership held by non-controlling interests (%)	Cumulative non-controlling interests	Net income attributable to non-controlling interests	Total comprehensive income attributable to non-controlling interests
Shinsegae Tomboy Inc.	3.69	2,722,093	437,074	443,396
Signite Rael Venture Fund	46.17	12,581,629	-	-

14. INVESTMENTS IN ASSOCIATES:

(1) Details of investments in associates as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

				December 31, 2023		
Investee	Location	Business	Fiscal year end	Percentage of ownership (%)	Acquisition cost	Carrying amount
Shinsegae Simon Inc.	Korea	Construction and renting business of high-end brand outlet store	December 31	25.00	₩ 19,250,000	₩ 102,576,401
RCC Inc.	Korea	Retail sale of miscellaneous goods	December 31	34.65	1,680,000	3,232,886
Signite Partners Co., Ltd.	Korea	Financial investment	December 31	50.00	15,000,000	14,705,016
Smart Shinsegae Signite Venture Fund	Korea	Financial investment	December 31	20.00	10,000,000	11,593,734
Shinsegae Wellness Venture Fund (*1)	Korea	Financial investment	December 31	49.45	6,750,000	4,814,820
					₩ 52,680,000	₩ 136,922,857

				December 31, 2022		
Investee	Location	Business	Fiscal year end	Percentage of ownership (%)	Acquisition cost	Carrying amount
Shinsegae Simon Inc.	Korea	Construction and renting business of high-end brand outlet store	December 31	25.00	₩ 19,250,000	₩ 103,130,311
RCC Co.,Ltd.	Korea	Retail sale of miscellaneous goods	December 31	34.65	1,680,000	2,037,978
Signite Partners Co., Ltd.	Korea	Financial investment	December 31	50.00	15,000,000	14,278,352
Smart Shinsegae Signite Venture Fund	Korea	Financial investment	December 31	20.00	10,000,000	11,232,678
Shinsegae Wellness Venture Fund (*1)	Korea	Financial investment	December 31	49.45	6,750,000	6,522,222
					₩ 52,680,000	₩ 137,201,541

(*1) As a result of considering the composition ratio of other investors at the time of establishment, it was determined that the Group could exert significant influence.

14. INVESTMENTS IN ASSOCIATES (con'd):

(2) Details of changes in investments in associates for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023				
Investee	Beginning balance	Share of profit (loss) of associates	Share of other comprehensive income (loss) of associates	Dividends	Ending balance
Investments in associates:					
Shinsegae Simon Inc.	₩ 103,130,311	₩ 15,673,783	₩ (791,293)	₩ (15,436,400)	₩ 102,576,401
RCC Co.,Ltd.	2,037,978	1,194,908	-	-	3,232,886
Signite Partners Co., Ltd.	14,278,352	436,363	(9,699)	-	14,705,016
Smart Shinsegae Signite Venture Fund	11,232,678	361,056	-	-	11,593,734
Shinsegae Wellness Venture Fund	6,522,222	(1,707,402)	-	-	4,814,820
	₩ 137,201,541	₩ 15,958,708	₩ (800,992)	₩ (15,436,400)	₩ 136,922,857

	2022					
Investee	Beginning balance	Acquisition	Share of profit (loss) of associates	Share of other comprehensive income (loss) of associates	Dividends	Ending balance
Investments in associates:						
Shinsegae Simon Inc.	₩ 99,442,150	₩ -	₩ 16,408,010	₩ 787,001	₩ (13,506,850)	₩ 103,130,311
RCC Co.,Ltd.	1,917,539	-	120,439	-	-	2,037,978
Signite Partners Co., Ltd.	10,701,407	5,000,000	(1,343,375)	(79,680)	-	14,278,352
Smart Shinsegae Signite Venture Fund	5,862,512	4,000,000	1,370,166	-	-	11,232,678
Shinsegae Wellness Venture Fund	2,197,070	4,500,000	(174,848)	-	-	6,522,222
	₩ 120,120,678	₩ 13,500,000	₩ 16,380,392	₩ 707,321	₩ (13,506,850)	₩ 137,201,541

(3) The summarized financial information on investments in associates as of December 31, 2023 and 2022 is as follows (in thousands of Korean won):

	December 31, 2023				
	Shinsegae Simon Inc.	RCC Co.,Ltd.	Signite Partners Co., Ltd.	Smart Shinsegae Signite Venture Fund	Shinsegae Wellness Venture Fund
Current assets	₩ 300,087,413	₩ 6,793,417	₩ 10,393,748	₩ 8,342,099	₩ 2,296,708
Non-current assets	753,091,800	1,069,240	19,787,235	49,876,366	7,539,732
Total assets	1,053,179,213	7,862,657	30,180,983	58,218,465	9,836,440
Current liabilities	438,880,864	1,090,934	660,894	249,795	99,804
Non-current liabilities	203,992,744	5,000	110,058	-	-
Total liabilities	642,873,608	1,095,934	770,952	249,795	99,804
Total equities	₩ 410,305,605	₩ 6,766,723	₩ 29,410,031	₩ 57,968,670	₩ 9,736,636
Sales	₩ 211,571,463	₩ 20,926,577	₩ 5,114,726	₩ 6,210,257	₩ 44,276
Operating income (loss)	93,471,177	3,564,118	776,982	1,805,279	(3,452,747)
Net income (loss)	62,781,908	3,481,121	872,726	1,805,279	(3,452,747)
Other comprehensive Loss	(3,165,170)	-	(19,398)	-	-
Total comprehensive income(loss)	₩ 59,616,738	₩ 3,481,121	₩ 853,328	₩ 1,805,279	₩ (3,452,747)

14. INVESTMENTS IN ASSOCIATES (con'd):

(*) The summarized financial information of the associates consists of the amounts after reflecting the adjustments of accounting policy differences between the Group and associates. However, goodwill recognized by the Group and inter-Group transactions are not reflected in this summarized financial information.

	December 31, 2022				
	Shinsegae Simon Inc.	RCC Co.,Ltd.	Signite Partners Co., Ltd.	Smart Shinsegae Signite Venture Fund	Shinsegae Wellness Venture Fund
Current assets	₩ 317,781,305	₩ 3,321,672	₩ 11,363,223	₩ 13,442,789	₩ 6,796,385
Non-current assets	731,182,824	598,323	17,916,183	43,014,792	6,509,298
Total assets	1,048,964,129	3,919,995	29,279,406	56,457,581	13,305,683
Current liabilities	298,074,735	601,434	457,304	294,190	116,300
Non-current liabilities	338,368,152	-	265,399	-	-
Total liabilities	636,442,887	601,434	722,703	294,190	116,300
Total equities	₩ 412,521,242	₩ 3,318,561	₩ 28,556,703	₩ 56,163,391	₩ 13,189,383
Sales	₩ 205,264,960	₩ 10,226,890	₩ 3,864,171	₩ 8,824,603	₩ 20,632
Operating income (loss)	93,443,177	301,450	(2,798,543)	6,850,831	(353,581)
Net income (loss)	65,108,086	369,846	(2,508,278)	6,850,831	(353,581)
Other comprehensive income (loss)	3,156,222	-	(32,687)	-	-
Total comprehensive income (loss)	₩ 68,264,308	₩ 369,846	₩ (2,540,965)	₩ 6,850,831	₩ (353,581)

(*) The summarized financial information of the associates consists of the amounts after reflecting the adjustments of accounting policy differences between the Group and associates. However, goodwill recognized by the Group and inter-Group transactions are not reflected in this summarized financial information.

(4) Details of adjustments from investee's net assets to carrying amount as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023				
	Shinsegae Simon Inc.	RCC Co.,Ltd.	Signite Partners Co., Ltd.	Smart Shinsegae Signite Venture Fund	Shinsegae Wellness Venture Fund
Net assets of associates(A)	₩ 410,305,605	₩ 6,766,723	₩ 29,410,031	₩ 57,968,670	₩ 9,736,636
Percentage of ownership (B)	25.00%	34.65%	50.00%	20.00%	49.45%
Share of net assets of associates (AxB)	102,576,401	2,344,904	14,705,016	11,593,734	4,814,820
(+) Goodwill	-	887,982	-	-	-
Carrying amount	₩ 102,576,401	₩ 3,232,886	₩ 14,705,016	₩ 11,593,734	₩ 4,814,820

	December 31, 2022				
	Shinsegae Simon Inc.	RCC Co.,Ltd.	Signite Partners Co., Ltd.	Smart Shinsegae Signite Venture Fund	Shinsegae Wellness Venture Fund
Net assets of associates (A)	₩ 412,521,242	₩ 3,318,561	₩ 28,556,703	₩ 56,163,391	₩ 13,189,383
Percentage of ownership (B)	25.00%	34.65%	50.00%	20.00%	49.45%
Share of net assets of associates (AxB)	103,130,311	1,149,996	14,278,352	11,232,678	6,522,222
(+) Goodwill	-	887,982	-	-	-
Carrying amount	₩ 103,130,311	₩ 2,037,978	₩ 14,278,352	₩ 11,232,678	₩ 6,522,222

15. PROPERTY AND EQUIPMENT:

(1) Details of property and equipment as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023			
	Acquisition cost	Accumulated depreciation	Acquisition of government subsidies	Carrying amount
Land	₩ 84,449,852	₩ -	₩ -	₩ 84,449,852
Buildings	119,104,410	(22,997,326)	-	96,107,084
Interior	159,634,216	(107,154,683)	-	52,479,533
Vehicles	960,810	(713,902)	-	246,908
Tools, furniture and fixtures	63,135,828	(43,379,587)	(32,670)	17,723,571
Construction in progress	2,719,527	-	-	2,719,527
	₩ 430,004,643	₩ (176,245,498)	₩ (32,670)	₩ 253,726,475

	December 31, 2022		
	Acquisition cost	Accumulated depreciation	Carrying amount
Land	₩ 100,780,367	₩ -	₩ 100,780,367
Buildings	123,670,751	(21,394,585)	102,276,166
Structures	650,040	(649,329)	711
Interior	156,454,424	(101,574,476)	54,879,948
Vehicles	1,004,771	(880,571)	124,200
Tools, furniture and fixtures	61,462,946	(39,496,372)	21,966,573
Construction in progress	1,145,265	-	1,145,265
	₩ 445,168,564	₩ (163,995,334)	₩ 281,173,230

(2) Details of changes in property and equipment for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023						
	Beginning balance	Acquisition	Disposal	Depreciation	Transfer (*1)(*2)	Foreign exchange differences	Ending balance
Land	₩ 100,780,367	₩ -	₩ -	₩ -	₩ (16,330,515)	₩ -	₩ 84,449,852
Buildings	102,276,166	-	-	(2,208,689)	(3,960,393)	-	96,107,084
Structures	711	-	(462)	(249)	-	-	-
Interior	54,879,947	21,001,218	(4,328,733)	(20,555,982)	1,483,083	-	52,479,533
Vehicles	124,200	-	(17,419)	(68,142)	208,269	-	246,908
Tools,furniture and fixtures	21,966,574	1,349,545	(21,776)	(6,050,437)	463,284	16,381	17,723,571
Construction in progress	1,145,265	4,437,728	(442,861)	-	(2,420,605)	-	2,719,527
	₩ 281,173,230	₩ 26,788,491	₩ (4,811,251)	₩ (28,883,499)	₩ (20,556,877)	₩ 16,381	₩ 253,726,475

(*1) Transfer includes ₩229,070 thousand to receivables, ₩36,393 thousand to inventories and ₩509 thousand to other expenses.

(*2) Transfer includes ₩20,290,908 thousand to investment property.

15. PROPERTY AND EQUIPMENT (con'd):

	2022													
	Beginning balance		Acquisition		Disposal		Depreciation		Transfer (*1)		Foreign exchange differences		Ending balance	
Land	₩	100,780,367	₩	-	₩	-	₩	-	₩	-	₩	-	₩	100,780,367
Buildings		104,568,325		539,269		(350,747)		(2,480,681)		-		-		102,276,166
Structures		1,518		-		-		(807)		-		-		711
Interior		55,811,871		27,169,220		(8,110,383)		(20,482,405)		483,567		8,077		54,879,947
Vehicles		69,703		51,045		-		(58,795)		62,247		-		124,200
Tools, furniture and fixtures		20,146,248		4,618,216		(39,743)		(5,345,723)		2,585,090		2,486		21,966,574
Construction in progress		5,296,060		4,037,939		(90,952)		-		(8,097,782)		-		1,145,265
	₩	286,674,092	₩	36,415,689	₩	(8,591,825)	₩	(28,368,411)	₩	(4,966,878)	₩	10,563	₩	281,173,230

(*1) Transfer includes ₩4,904,670 thousand to receivables and ₩62,207 thousand to inventories.

(3) Depreciation expense from property and equipment is included in selling and administrative expenses.

(4) As of December 31, 2023, property, equipment and investment property are insured against fire and other casualty losses for up to ₩303,701,565 thousand by Samsung Fire & Marine Insurance Co., Ltd. Also, the Group carries comprehensive and business liability insurance against accident.

(5) As of December 31, 2023, no Group assets have been pledged as collateral to financial institutions for the Group's borrowings.

16. INVESTMENT PROPERTY:

(1) Details of investment property as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023					
	Acquisition cost		Accumulated depreciation		Carrying amount	
Land	₩	51,033,079	₩	-	₩	51,033,079
Buildings		16,326,376		(3,172,933)		13,153,443
	₩	67,359,455	₩	(3,172,933)	₩	64,186,522

(*) The Group has contracts to provide operating leases for investment property.

	December 31, 2022					
	Acquisition cost		Accumulated depreciation		Carrying amount	
Land	₩	34,702,564	₩	-	₩	34,702,564
Buildings		11,760,035		(2,067,057)		9,692,978
	₩	46,462,599	₩	(2,067,057)	₩	44,395,542

(*) The Group has contracts to provide operating leases for investment property.

(2) Details of changes in investment property for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023							
	Beginning balance		Depreciation		Transfer (*1)		Ending balance	
Land	₩	34,702,564	₩	-	₩	16,330,515-	₩	51,033,079
Buildings		9,692,978		(499,928)		3,960,393		13,153,443
	₩	44,395,542		(499,928)		20,290,908	₩	64,186,522

16. INVESTMENT PROPERTY (con'd):

(*1) Transfer includes ₩20,290,908 thousand from property and equipment.

	2022			
	Beginning balance	Depreciation	Disposal	Ending balance
Land	₩ 34,702,564	₩ -	₩ -	₩ 34,702,564
Buildings	10,060,594	(237,888)	(129,728)	9,692,978
	₩ 44,763,158	₩ (237,888)	₩ (129,728)	₩ 44,395,542

(3) Details of income and expense relating to investment property for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023	2022
Rental income	₩ 1,199,662	₩ 929,916
Operating expense related to rental income	(753,828)	(354,739)
	₩ 445,834	₩ 575,177

(4) Details of fair value of investment property as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Land	₩ 51,033,079	₩ 74,057,308	₩ 34,702,564	₩ 66,492,704
Buildings	13,153,443	16,326,376	9,692,978	11,760,035
	₩ 64,186,522	₩ 90,383,684	₩ 44,395,542	₩ 78,252,739

The fair value of an investment property is based on the valuation performed by The FIRST APPRAISAL & CONSULTING Co., Ltd., an independent external real estate appraisal, with appropriate qualifications and experience in relation to the real estate appraisal in that area. Also, it is valued based on the valuation amounts that reflect the value of the property, its officially assessed or standard price and the price of recent similar transactions that are currently available.

The fair value of investment property is categorized as Level 3 based on input variables used in fair value measurements.

(5) Depreciation expense from investment property is included in selling and administrative expenses.

17. RIGHT-OF-USE ASSETS:

(1) Details of right-of-use assets as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023			
	Land	Buildings	Vehicles	Total
Acquisition cost	₩ 92,973,120	₩ 69,414,448	₩ 156,365	₩ 162,543,933
Accumulated depreciation	(22,981,300)	(48,117,009)	(153,859)	(71,252,168)
Carrying amount	₩ 69,991,820	₩ 21,297,439	₩ 2,506	₩ 91,291,765

	December 31, 2022			
	Land	Buildings	Vehicles	Total
Acquisition cost	₩ 81,255,059	₩ 64,547,858	₩ 374,483	₩ 146,177,400
Accumulated depreciation	(18,074,430)	(40,445,793)	(298,466)	(58,818,689)
Carrying amount	₩ 63,180,629	₩ 24,102,065	₩ 76,017	₩ 87,358,711

17. RIGHT-OF-USE ASSETS (con'd):

(2) Details of changes in right-of-use assets for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023							
	Land		Buildings		Vehicles		Total	
Beginning balance	₩	63,180,629	₩	24,102,065	₩	76,017	₩	87,358,711
Increase		11,718,061		13,996,681		5,073		25,719,815
Decrease		-		(2,966,254)		(7,273)		(2,973,527)
Depreciation		(4,906,870)		(13,872,928)		(71,311)		(18,851,109)
Others		-		37,875		-		37,875
Ending balance	₩	69,991,820	₩	21,297,439	₩	2,506	₩	91,291,765

	2022							
	Land		Buildings		Vehicles		Total	
Beginning balance	₩	67,760,635	₩	36,735,310	₩	187,712	₩	104,683,657
Increase		-		7,341,745		110,006		7,451,751
Decrease		-		(5,970,508)		(22,306)		(5,992,814)
Depreciation		(4,580,006)		(14,036,009)		(199,395)		(18,815,410)
Others		-		31,527		-		31,527
Ending balance	₩	63,180,629	₩	24,102,065	₩	76,017	₩	87,358,711

(3) Amounts recognized in profit and loss for each of the two years in the period ended December 31, 2023 are as follows
(in thousands of Korean won):

	2023		2022	
Depreciation expense on right-of-use assets	₩	18,851,109	₩	18,815,410
Interest expense on lease liabilities		2,807,352		2,801,267
Expense relating to short-term leases		979,272		1,142,138
Expense relating to leases of low-value assets		1,394,535		1,385,811
Expense relating to variable lease payments not included in the measurement of the lease liabilities (*1)		35,436,141		30,817,633
Income from subleasing right-of-use assets		(1,331)		(4,457)

(*1) Other lease fees are included as variable lease payments by sales.

The total amount of cash outflow due to leases is ₩58,036,624 thousand (₩54,251,497 thousand in 2022).

18. INTANGIBLE ASSETS:

(1) Details of intangible assets as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023							
		Acquisition cost		Accumulated amortization		Accumulated impairment losses		Carrying amount
Industrial property rights	₩	11,520,432	₩	(6,826,435)	₩	-	₩	4,693,997
Goodwill		18,628,576		-		-		18,628,576
Others		96,640,797		(54,838,384)		(471,000)		41,331,413
Construction in progress		2,399,260		-		-		2,399,260
	₩	129,189,065	₩	(61,664,819)	₩	(471,000)	₩	67,053,246

	December 31, 2022							
		Acquisition cost		Accumulated amortization		Accumulated impairment losses		Carrying amount
Industrial property rights	₩	11,199,062	₩	(6,142,289)	₩	-	₩	5,056,773
Goodwill		18,628,576		-		-		18,628,576
Others		87,697,375		(44,866,973)		(471,000)		42,359,402
Construction in progress		4,082,468		-		-		4,082,468
	₩	121,607,481	₩	(51,009,262)	₩	(471,000)	₩	70,127,219

(2) Details of changes in intangible assets for each of the two years in the period ended December 31, 2023 are as follows
(in thousands of Korean won):

	2023													
		Beginning balance		Acquisition		Disposal		Amortization		Transfer		Others		Ending balance
Industrial property rights	₩	5,056,773	₩	86,688	₩	(10,383)	₩	(710,994)	₩	271,913	₩	-	₩	4,693,997
Goodwill		18,628,576		-		-		-		-		-		18,628,576
Others		42,359,401		5,362,366		(671,669)		(10,245,139)		4,487,228		39,225		41,331,412
Construction In progress		4,082,468		3,029,427		(2,240)		-		(4,759,141)		48,747		2,399,261
	₩	70,127,218	₩	8,478,481	₩	(684,292)	₩	(10,956,133)	₩	-	₩	87,972	₩	67,053,246

	2022													
		Beginning balance		Acquisition		Disposal		Amortization		Transfer (*1)		Others		Ending balance
Industrial property rights	₩	5,447,813	₩	84,092	₩	(2)	₩	(713,407)	₩	238,277	₩	-	₩	5,056,773
Goodwill		18,628,576		-		-		-		-		-		18,628,576
Others		43,556,092		7,517,003		(2,759,400)		(9,192,444)		3,233,014		5,136		42,359,401
Construction in progress		3,761,177		3,901,949		(122,045)		-		(3,471,291)		12,678		4,082,468
	₩	71,393,658	₩	11,503,044	₩	(2,881,447)	₩	(9,905,851)	₩	-	₩	17,814	₩	70,127,218

(3) Depreciation from intangible assets is included in selling and administrative expenses.

19. TRADE AND OTHER PAYABLES:

Details of trade and other payables as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023		December 31, 2022	
Trade payables	₩	27,176,357	₩	32,848,575
Other accounts payable		38,944,301		51,569,307
Accrued expenses		14,948,970		15,983,266
	₩	81,069,628	₩	100,401,148

The Group determined that the carrying amount of trade and other payables is similar to their fair value.

20. DERIVATIVE FINANCIAL INSTRUMENTS:

The Group entered into cross-currency swaps to manage its exposure to interest rate and foreign exchange rate risk.

Details of derivative financial instruments as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023				December 31, 2022			
	Current		Non-current		Current		Non-current	
Assets:								
Derivatives not designated as hedging instruments								
Cross-currency swap		9,079,684		280,900		2,838,200		9,582,604
	₩	9,079,684	₩	280,900	₩	2,838,200	₩	9,582,604

	December 31, 2023				December 31, 2022			
	Current		Non-current		Current		Non-current	
Liabilities:								
Derivatives not designated as hedging instruments								
Cross-currency swap		399,178		-		2,739,047		-
	₩	399,178	₩	-	₩	2,739,047	₩	-

21. BORROWINGS:

(1) Details of borrowings as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023				December 31, 2022			
	Current		Non-current		Current		Non-current	
Short-term borrowings	₩	90,355,389	₩	-	₩	44,344,674	₩	-
Long-term borrowings		-		-		16,204,060		-
Debentures		88,263,741		42,241,660		50,594,470		63,189,534
	₩	178,619,130	₩	42,241,660	₩	111,143,204	₩	63,189,534

21. BORROWINGS (con'd):

(2) Details of short-term borrowings as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	Lender	Annual interest rate (%) as of December 31, 2023	December 31, 2023	December 31, 2022
Revolving Loans	KEB Hana Bank	4.718	₩ 25,000,000	-
General capital loan	Shinhan Bank	4.64	₩ 15,000,000	₩ -
Banker's usance	Woori Bank and others	TERM SOFR(6M) + 0.3 - 0.65	50,355,389	44,344,674
			₩ 90,355,389	₩ 44,166,975

(3) Details of long-term borrowings as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	Lender	Annual interest rate (%) as of December 31, 2023	December 31, 2023	December 31, 2022
Borrowings in foreign currency	Shinhan Bank Japan (SBJ Bank) (*1)	-	₩ -	₩ 16,204,060
Less: Current portion of long-term borrowings			-	(16,204,060)
			₩ -	₩ -

(*1) Foreign currency long-term borrowings are based on the fixed interest rate, and the Group hedges risk of exchange rate fluctuations through cross-currency swaps, which are designed to fix the exchange rate for interest and principal paid. (see Notes 20).

(4) Details of debentures as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

Description	Issued date	Maturity	Annual interest rate (%) as of December 31, 2023	December 31, 2023	December 31, 2022
9th Private debenture (*1)	2020.04.08	2023.04.11	-	₩ -	₩ 25,346,000
10th Private debenture (*1)	2020.06.25	2023.06.23	-	-	25,346,000
11th Private debenture (*1)	2021.02.10	2024.02.14	LIBOR (3M)+0.90	38,682,000	38,019,000
12th Private debenture (*1)	2021.03.29	2024.03.28	LIBOR (3M)+0.90	25,788,000	25,346,000
13th Private debenture (*1)	2023.04.11	2024.04.11	SOFR (3M)+0.84	23,853,900	-
14th Private debenture (*1)	2023.06.23	2025.06.23	SOFR (3M)+0.90	42,550,200	-
				130,874,100	114,057,000
Less: Discount on debentures				(368,699)	(272,996)
				130,505,401	113,784,004
Less: Current portion of long-term debentures				(88,263,741)	(50,594,470)
				₩ 42,241,660	₩ 63,189,534

(*1) Debentures issued in the foreign currency are based on the floating interest rates, and the Group hedges cash flow risks through cross-currency swaps, which are designed to exchange floating interest rates in foreign currency with fixed interest rates in Korean won (see Notes 20).

(5) The Group determined that fair value of borrowings is similar to their carrying amount because the effect of discounting is not significant.

(6) The repayment plan of long-term borrowings and debentures as of December 31, 2023 is as follows (in thousands of Korean won):

Description	Debentures (par value)
2024	₩ 88,323,900
2025	42,550,200
	₩ 130,874,100

22. LEASE LIABILITIES:

(1) Details of lease liabilities as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023		December 31, 2022	
Current liabilities	₩	15,157,965	₩	18,321,644
Non-current liabilities		76,707,378		76,994,734
	₩	91,865,343	₩	95,316,378

(2) The maturity analysis of lease liabilities as of December 31, 2023 and 2022 is as follows (in thousands Korean won):

	December 31, 2023		December 31,2022	
Within 1 year	₩	15,631,514	₩	18,564,839
1 year–5 years		33,188,420		30,869,681
More than 5 years		64,623,376		68,218,576
		113,443,310		117,653,096
Less: Adjusted present value		(21,577,967)		(22,336,718)
Present value of lease liabilities	₩	91,865,343	₩	95,316,378

23. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of December 31, 2023 and 2022 consist of the following (in thousands of Korean won):

	December 31, 2023				December 31, 2022			
	Current		Non-current		Current		Non-current	
Dividends payable	₩	2,507	₩	-	₩	1,886	₩	-
Withholding deposits		11,366,775		7,300,312		11,692,594		4,384,932
Rehabilitation debt		-		-		429,083		-
Non-controlling interests liabilities (*1)		-		12,581,629		-		12,281,257
	₩	11,369,282	₩	19,881,941	₩	12,123,563	₩	16,666,189

(*1) The Parent company cannot control the liquidation of Signite Rael, which is a subsidiary within the Group and a venture investment association, because the duration of the association is fixed. Non-controlling interests in the subsidiary is classified as financial liabilities because the investment code requires to distribute the net asset of the subsidiary in accordance with the equity ratio in the case of liquidation.

24. RETIREMENT BENEFIT PLANS:

(1) Defined benefit plan

The Group provides a defined benefit plan to its employees.

The most recent actuarial valuation of plan assets and defined benefit obligation was performed by MIRAE ASSET DAEWOO Co., Ltd. The valuation of present value of the defined benefit obligation, related current service cost and past service cost is determined using the projected unit credit method.

1) Amounts recognized in the consolidated statements of financial position related to defined benefit plan as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023		December 31, 2022	
Present value of defined benefit obligation	₩	63,095,331	₩	51,885,891
Fair value of plan asset		(73,152,965)		(67,819,557)
Net defined benefit liability(assets)	₩	(10,057,634)	₩	(15,933,666)

2) Details of changes in defined benefit obligation for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023		2022	
Beginning balance	₩	51,885,891	₩	56,198,483
Current service cost		8,150,665		8,716,945
Interest expense		2,653,925		1,354,438
Remeasurements:				
Actuarial gain arising from changes in demographic assumptions		1,813		1,455,277
Actuarial gain (loss) arising from changes in financial assumptions		2,790,684		(10,445,103)
Actuarial gain arising from changes in experience adjustments		1,807,492		2,190,790
		4,599,989		(6,799,036)
Benefits paid		(5,641,829)		(7,584,939)
Transfers to affiliates		1,446,690		-
Ending balance	₩	63,095,331	₩	51,885,891

3) Details of changes in fair value of plan assets for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023		2022	
Beginning balance	₩	67,819,557	₩	54,608,511
Interest income		3,358,958		1,321,874
Remeasurements		(302,831)		(13,213)
Contributions from the employer		9,539,304		20,000,000
Benefits paid		(8,652,767)		(7,962,339)
Transfers to affiliates		1,446,690		-
Others		(55,946)		(135,276)
Ending balance	₩	73,152,965	₩	67,819,557

4) Details of administrative costs for defined benefit plan recognized for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023		2022	
Current service cost	₩	8,150,665	₩	8,716,945
Interest expense		2,653,925		1,354,438
Interest income		(3,358,958)		(1,321,874)
	₩	7,445,632	₩	8,749,509

24. RETIREMENT BENEFIT PLANS (con'd):

5) Fair value of plan assets, which are mainly composed of fixed deposits, is ₩73,152,965 thousand and ₩67,819,557 thousand as of December 31, 2023 and 2022, respectively. The actual earnings from plan assets are ₩3,056,127 thousand and ₩1,308,661 thousand for the years ended December 31, 2023 and 2022, respectively.

6) The principal assumptions used for actuarial valuation as of December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Discount rate	4.49%–4.55%	5.32%–5.40%
Expected rate of salary increase	4.90%–5.55%	4.11%–5.55%

7) The Group considers the amount of the plan assets annually and has established a policy covering a deficit, when it occurs. The Group expects to make a contribution of ₩0 to the defined benefit plans during the next fiscal year assuming a 100% ratio of the plan assets to the defined benefit obligation in relation to the defined benefit plans.

The weighted-average maturity of defined benefit obligations is 7.55–8.03 years and 7.79–9.24 years as of December 31, 2023 and 2022, respectively.

8) On condition that other assumptions remain the same, the sensitivity analysis for each principal actuarial assumption and defined benefit obligation as of December 31, 2023 and 2022 is as follows
(in thousands of Korean won):

	December 31, 2023	
	Increase	Decrease
1% change in discount rate	₩ (3,800,067)	₩ 4,327,214
1% change in expected rate of salary increase	4,360,441	(3,895,180)

	December 31, 2022	
	Increase	Decrease
1% change in discount rate	₩ (3,046,864)	₩ 3,462,406
1% change in expected rate of salary increase	3,543,841	(3,167,100)

The above sensitivity analysis indicates how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible as of the end of the reporting period. Because of the correlation between actuarial assumptions, the changes in rate would not occur independently. Therefore, the above sensitivity analysis is not representative of actual changes in defined benefit obligation, and sensitivity analysis is also determined using the projected unit credit method.

(2) Defined contribution plan

The Group operates defined contribution retirement benefit plans for all qualifying employees. Plan assets are held by a fund that is legally separate from assets of the Group. If employees leave before the vesting conditions for defined contribution plans are met, the contribution to be paid by the Group is reduced by the amount of the lost contribution.

25. PROVISIONS:

(1) Details of provisions as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Provisions for restoring (*1)	₩ 2,632,917	₩ 3,143,813	₩ 2,516,937	₩ 2,911,060

(*1) The amount expected to be paid to fulfill the obligation to restore the leased assets is recorded as provisions for restoring.

(2) Details of changes in provisions as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	2023				
	Beginning balance	Addition	Used	Reversal	Ending balance
Provisions for restoring	₩ 5,427,997	₩ 634,780	₩ (192,940)	₩ (93,107)	₩ 5,776,730

	2022				
	Beginning balance	Addition	Used	Reversal	Ending balance
Provisions for restoring	₩ 5,064,185	₩ 626,900	₩ (153,302)	₩ (109,786)	₩ 5,427,997

26. OTHER LIABILITIES:

Details of other liabilities as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Advance received	₩ 651,055	₩ -	₩ 409,540	₩ -
Unearned income	461,498	1,387,146	1,179,361	916,647
Deferred revenue (Note 27)	4,644,255	-	3,605,354	-
Withholdings	14,467,643	-	8,884,844	-
Refund liabilities	1,723,549	-	1,710,011	-
Other long-term employee benefit (*1)	-	2,842,253	-	2,063,961
	₩ 21,948,000	₩ 4,229,399	₩ 15,789,110	₩ 2,980,608

(*1) The other long-term employee benefit is the best estimate of the outflow for long-term employed persons.

27. DEFERRED REVENUE:

(1) The Group operates a customer loyalty program, such as giving a certain amount or a certain percentage of the purchase price to the purchaser, and the contract liability related to the customer loyalty program is recorded as deferred revenue (other current liabilities). Details of deferred revenue as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023	December 31, 2022
Reward points	₩ 4,644,255	₩ 3,605,354

(2) Changes in deferred revenue relating to customer loyalty program for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023			
	Beginning balance	Increase	Decrease	Ending balance
Reward points	₩ 3,605,354	₩ 16,126,148	₩ (15,087,247)	₩ 4,644,255

	2022			
	Beginning balance	Increase	Decrease	Ending balance
Reward points	₩ 2,305,927	₩ 7,203,938	₩ (5,904,511)	₩ 3,605,354

28. CAPITAL STOCK:

The number of authorized shares of the Group as of December 31, 2023 is 200,000,000 shares. The number of shares issued and details of the capital stock as of December 31, 2023 and 2022 are as follows:

	December 31, 2023			December 31, 2022		
	Number of shares issued	Par value (Korean won)	Capital stock (in thousands of Korean won)	Number of shares issued	Par value (Korean won)	Capital stock (in thousands of Korean won)
Common stock	35,700,000 shares	₩ 1,000	₩ 35,700,000	35,700,000 shares	₩ 1,000	₩ 35,700,000

29. OTHER PAID-IN CAPITAL AND OTHER CAPITAL COMPONENTS:

(1) Details of other paid-in capital as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023	December 31, 2022
Capital in excess of par value	₩ 123,627,795	₩ 123,627,795
Additional paid-in capital	(3,866,392)	(3,866,392)
	₩ 119,761,403	₩ 119,761,403

(2) There are no changes in other paid-in capital for each of the two years in the period ended December 31, 2023.

(3) Details of other capital components as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023	December 31, 2022
Share of other comprehensive income of associates and joint ventures	₩ (485,941)	₩ 221,180
Exchange differences on translating foreign operations	3,268,667	1,210,291
	₩ 2,782,726	₩ 1,431,471

(4) Details of changes in other capital components for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023	2022
Beginning balance	₩ 1,413,471	₩ 432,412
Share of other comprehensive income of associates and joint ventures	(800,992)	719,351
Exchange differences on translating foreign operations	2,058,377	522,565
Other adjustments	36,558	(206,341)
Tax effect	57,312	(36,516)
Ending balance	₩ 2,782,726	₩ 1,431,471

30. RETAINED EARNINGS AND DIVIDENDS:

(1) Details of retained earnings as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

Description	December 31, 2023	December 31, 2022
Legal reserve		
Profit reserve (*1)	₩ 8,264,964	₩ 6,220,363
Retained earnings	682,483,564	667,404,536
	₩ 690,748,528	₩ 673,624,899

(*1) The *Commercial Act* of the Republic of Korea requires the Company to appropriate an amount equal to a minimum of 10% of cash dividends paid as a legal reserve until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but can be transferred to capital stock or used to offset accumulated deficit, if any.

30. RETAINED EARNINGS AND DIVIDENDS (con'd):

(2) Details of changes in retained earnings for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

Description		2023		2022
Beginning balance	₩	673,624,899	₩	561,108,269
Net income attributable to owners of the Group		39,212,175		118,275,859
Payment of dividends		(17,850,000)		(10,710,000)
Remeasurements of defined benefit obligation		(4,909,142)		6,776,266
Tax effect		1,028,280		(1,635,782)
Others		(357,684)		(189,713)
Ending balance	₩	690,748,528	₩	673,624,899

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

	2023						
Type of stock	Number of shares issued	Number of treasury stock	Dividends declared		Dividend per share (Korean won)		Amount of dividend (in thousands of Korean won)
Common stock	35,700,000	-	35,700,000	₩	500	₩	17,850,000

	2022						
Type of stock	Number of shares issued	Number of treasury stock	Dividends declared		Dividend per share (Korean won)		Amount of dividend (in thousands of Korean won)
Common stock	7,140,000	-	7,140,000	₩	1,500	₩	10,710,000

(*) Following the stock split on April 8, 2022, the par value of common stock was split from KRW 5,000 to KRW 1,000, and the number of shares issued and Dividends declared are the number of shares before the stock split.

31. REVENUE:

(1) Details of sales for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

		2023		2022
Revenue form contract with a customer:				
Gross sales:				
Sales - merchandise	₩	1,014,967,405	₩	1,187,054,289
Sales - finished goods		349,466,017		368,057,639
Sales - other (*1)		9,365,140		9,787,115
		1,373,798,562		1,564,899,043
Deduction of sales:				
Deferred sales		16,126,148		7,203,938
Refund liabilities		13,538		1,710,011
Sales discount, etc.		3,331,711		2,107,777
		19,471,397		11,021,726
	₩	1,354,327,165	₩	1,553,877,317

(*1) They mainly consist of commission on product distribution.

(2) The contractual liabilities that the Group recognizes in relation to the revenue generated from the contract with the customers as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

		December 31, 2023		December 31, 2022
Customer loyalty program (Note 27)	₩	4,644,255	₩	3,605,354
Advance received		263,169		175,575
Refund liabilities		1,723,549		1,710,011
	₩	6,630,973	₩	5,490,940

31. REVENUE (con'd):

(3) Amounts recognized as revenue in relation to the contractual liabilities carried forward from the prior year for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023		2022	
Customer loyalty program (Note 27)	₩	4,177,790	₩	1,344,736
Advance received		174,071		270,000
Refund liabilities		1,615,626		-
	₩	5,967,487	₩	1,614,736

(4) Estimated collection amounts by period in relation to unfulfilled performance obligation as of December 31, 2023 are as follows (in thousands of Korean won):

	2023			
	Book value		Within 1 year	
Customer loyalty program (Note 27)	₩	4,644,255	₩	4,644,255
Advance received		263,169		263,169
Refund liabilities		1,723,549		1,723,549
	₩	6,630,973	₩	6,630,973

32. SELLING AND ADMINISTRATIVE EXPENSES:

Details of selling and administrative expenses for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023		2022	
Salaries	₩	107,341,372	₩	104,118,587
Retirement benefits		7,724,476		11,542,938
Employee benefits		18,931,748		17,830,123
Education and training expenses		637,745		585,133
Travel expenses		3,012,129		1,772,247
Vehicles maintenance expenses		783,032		773,396
Communication expenses		694,628		690,901
Taxes and dues		3,061,245		3,134,712
Insurance		1,098,869		1,129,434
Fees and charges		462,149,563		503,033,588
Rental fee		2,339,676		3,692,656
Supplies expenses		2,044,801		2,652,163
Publication expenses		231,525		155,172
Event expenses		827,617		1,601,060
Repairs expenses		2,522,888		2,659,857
Utility expenses		2,220,181		1,597,398
Depreciation		48,234,535		47,421,709
Amortization		10,956,133		9,905,851
Research and development expenses		3,678,345		3,897,661
Conference expenses		1,845,057		1,507,178
Bad debt expenses (Reversal)		2,040,407		(22,149)
Transportation expenses		20,962,087		20,206,682
Packing expenses		10,331,919		10,517,579
Advertisement expenses		43,578,440		55,941,445
Promotion expenses		14,899,340		17,697,980
Decoration expenses		6,434,263		6,050,135
Entertainment expenses		304,003		410,471
Others		115,639		57,885
	₩	779,001,663	₩	830,561,792

33. FINANCEINCOME:

Details of finance income for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

		2023		2022
Finance income - interest income under the effective interest rate method:				
Cash and cash equivalents	₩	1,895,094	₩	756,710
Short-term financial instruments		1,542,443		801,495
Financial assets measured at FVTPL		56,303		-
Finance lease receivables		1,331		4,457
Other financial assets		991,634		561,237
		4,486,805		2,123,899
Finance income - other:				
Interest income		-		29,438
Gain on foreign currency transaction		5,467,792		7,384,816
Gain on foreign currency translation		1,375,812		3,493,632
Gain on derivatives valuation		1,829,606		8,642,646
Gain on derivatives transaction		20,382		-
		8,693,592		19,550,532
	₩	13,180,397	₩	21,674,431

34. FINANCE COST:

Details of finance cost for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

		2023		2022
Interest expense:				
Borrowings	₩	2,959,487	₩	926,702
Debentures		2,948,350		1,798,775
Lease liabilities		2,807,352		2,801,267
Amortization of discounted present value		156,972		88,090
		8,872,161		5,614,834
Loss on foreign currency transaction		6,294,390		7,554,557
Loss on foreign currency translation		1,732,077		8,211,226
Loss on derivatives transaction		913,767		-
Loss on derivatives valuation		2,450,804		1,310,020
	₩	20,263,199	₩	22,690,637

35. OTHER NON-OPERATING INCOME AND EXPENSE:

(1) Details of other non-operating income for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

		2023		2022
Commission income	₩	1,966,068	₩	1,345,329
Reversal of loss allowance for doubtful other accounts		2,773		-
Gain on disposal of investment assets		65,197		172,816
Gain on disposal of property and equipment		93,262		263,383
Gain on disposal of intangible assets		-		2,739
Gain on valuation of financial assets measured at FVTPL		1,216,903		7,018,970
Non-controlling interests liabilities profit		300,372		271,257
Miscellaneous income		6,819,991		5,696,627
	₩	10,464,566	₩	14,771,121

35. OTHER NON-OPERATING INCOME AND EXPENSE (con'd):

(2) Details of other non-operating expense for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023	2022
Donation	₩ 1,391,074	₩ 1,634,110
Loss allowance for doubtful other accounts	-	735
Loss on disposal of property and equipment	2,583,485	5,872,468
Loss on disposal of intangible assets	45,623	58,620
Loss on disposal of investment assets	538,968	17
Loss on valuation of financial assets measured at FVTPL	-	330,000
Miscellaneous expense	2,370,779	783,069
	₩ 6,929,929	₩ 8,679,019

36. INCOME TAX EXPENSES:

(1) Income tax expenses for each of the two years in the period ended December 31, 2023 are computed as follows (in thousands of Korean won):

Description	2023	2022
Current income tax expense:		
Current tax on profit for the year	₩ 19,627,326	₩ 28,891,369
Adjustment for past income tax expense	2,285,776	39,495
Items directly charged to equity	1,064,838	(1,672,299)
Deferred income tax expense:		
Deferred income tax due to temporary difference	(1,483,219)	(9,324,005)
Income tax expense	₩ 21,494,721	₩ 17,934,560

(2) Relationship between income tax expense and net income before income tax expense for each of the two years in the period ended December 31, 2023 is as follows (in thousands of Korean won):

Description	2023	2022
Net income before income tax expense	₩ 61,143,971	₩ 136,726,799
Income tax expenses calculated at statutory tax rate	13,662,257	32,625,885
Adjustments:		
Non-taxable income	(18,745)	(979,565)
Non-deductible expense	132,909	149,513
Effect of tax credit and exemption	(78,852)	(16,000)
Effect of temporary differences not recognized as deferred tax assets	-	(3,040,387)
Adjustment for past income tax expense	2,285,776	39,495
Corporate tax effect due to corporate refund tax system	2,180,228	-
Business transfer corporate tax effect	5,861,704	-
Others (tax rate difference, etc.)	(2,530,556)	(10,844,381)
Income tax expense	₩ 21,494,721	₩ 17,934,560
Effective tax rate (income tax expense/net income before income tax expense)	35.15%	13.12%

(3) Details of items directly charged to equity for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023		
Description	Before-tax amount	Tax effect	After-tax amount
Items not subsequently reclassified to profit or loss:			
Remeasurement of defined benefit plan	₩ (4,902,820)	₩ 1,028,280	₩ (3,874,540)
Items subsequently reclassified to profit or loss:			
Share of other comprehensive income (loss) of associates	(800,992)	36,558	(764,434)
Exchange differences on translating foreign operations	2,058,377	-	2,058,377
	₩ (3,645,435)	₩ 1,064,838	₩ (2,580,597)

36. INCOME TAX EXPENSES (con'd):

Description	2022 Before-tax amount		2022 Tax effect		2022 After-tax amount	
Items not subsequently reclassified to profit or loss:						
Remeasurement of defined benefit plan	₩	6,785,822	₩	(1,635,782)	₩	5,150,040
Items subsequently reclassified to profit or loss:						
Share of other comprehensive income (loss) of associates		719,351		(36,517)		682,834
Exchange differences on translating foreign operations		522,565		-		522,565
	₩	8,027,738	₩	(1,672,299)	₩	6,355,439

(4) Details of changes in cumulative temporary differences and deferred tax assets (liabilities) for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

Description	2023 Cumulative temporary differences and tax losses: Beginning Balance		Increase (decrease)		Ending balance	
Loss on valuation of inventories	₩	43,790,913	₩	2,822,091	₩	46,613,004
Defined benefit obligation		40,055,663		(5,252,032)		34,803,631
Deferred revenue		3,605,354		1,038,901		4,644,255
Provisions for restoring		5,427,997		348,734		5,776,731
Lease		8,852,790		(7,192,941)		1,659,849
Gain on foreign exchange translation		4,626		(4,626)		-
Gain on derivatives valuation		(2,830,697)		1,987,813		(842,884)
Plan assets		(40,055,663)		5,087,938		(34,967,725)
Share of profits of associates		(91,059,003)		(1,111,693)		(92,170,696)
Intangible assets		(18,524,878)		951,435		(17,573,443)
Others		(6,627,386)		20,456,947		13,829,561
		(57,360,284)		19,132,567		(38,227,717)
Tax losses		16,263,043		(13,500,352)		2,762,691
	₩	(41,097,241)	₩	5,632,215	₩	(35,465,026)

	Deferred tax assets (liabilities): Beginning Balance		Increase (decrease)		Ending balance	
Loss on valuation of inventories	₩	10,068,079	₩	569,233	₩	10,637,312
Defined benefit obligation		9,276,363		(1,248,284)		8,028,079
Deferred revenue		829,334		223,787		1,053,121
Provisions for restoring		1,248,318		67,729		1,316,047
Lease		2,055,502		(1,670,423)		385,079
Gain on foreign exchange translation		972		(972)		-
Gain on derivatives valuation		(656,722)		462,016		(194,706)
Plan assets		(9,276,363)		1,213,988		(8,062,375)
Share of profits of associates		(4,021,485)		(236,801)		(4,258,286)
Intangible assets		(3,376,355)		202,535		(3,173,820)
Others		(1,585,179)		4,521,355		2,936,176
		4,562,464		4,104,163		8,666,627
Tax losses		3,198,347		(2,620,944)		577,403
	₩	7,760,811	₩	1,483,219	₩	9,244,030
Deferred tax assets		7,760,811				9,244,030
	₩	7,760,811			₩	9,244,030

36. INCOME TAX EXPENSES (con'd):

	2022					
	Cumulative temporary differences and tax losses					
Description		Beginning Balance		Increase (decrease)		Ending balance
Loss on valuation of inventories	₩	41,446,045	₩	2,344,868	₩	43,790,913
Defined benefit obligation		46,968,650		(6,912,987)		40,055,663
Deferred revenue		2,305,927		1,299,427		3,605,354
Provisions for restoring		5,064,186		363,811		5,427,997
Lease		9,303,104		(450,314)		8,852,790
Gain on foreign exchange translation		(23,384)		28,010		4,626
Gain on derivatives valuation		(1,550,051)		(1,280,646)		(2,830,697)
Plan assets		(46,212,754)		6,157,091		(40,055,663)
Share of profits of associates		(79,601,130)		(11,457,873)		(91,059,003)
Intangible assets		(19,519,399)		994,521		(18,524,878)
Others		80,504		(6,707,890)		(6,627,386)
		(41,738,302)		(15,621,982)		(57,360,284)
Tax losses		24,026,824		(7,763,781)		16,263,043
	₩	(17,711,478)	₩	(23,385,763)	₩	(41,097,241)

	Deferred tax assets (liabilities)					
		Beginning Balance		Increase (decrease)		Ending balance
Loss on valuation of inventories	₩	9,925,452	₩	142,627	₩	10,068,079
Defined benefit obligation		11,348,132		(2,071,769)		9,276,363
Deferred revenue		553,333		276,001		829,334
Provisions for restoring		1,214,690		33,628		1,248,318
Lease		2,254,440		(198,938)		2,055,502
Gain on foreign exchange translation		(5,144)		6,116		972
Gain on derivatives valuation		(375,112)		(281,610)		(656,722)
Plan assets		(11,165,206)		1,888,843		(9,276,363)
Share of profits of associates		(13,684,650)		9,663,165		(4,021,485)
Intangible assets		(3,706,946)		330,591		(3,376,355)
Others		(3,192)		(1,581,989)		(1,585,181)
		(3,644,203)		8,206,665		4,562,462
Tax losses		2,287,350		910,997		3,198,347
	₩	(1,356,853)	₩	9,117,662	₩	7,760,809
Deferred tax assets		3,678,406				7,760,810
Deferred tax liabilities		(5,035,260)				-
	₩	(1,356,854)			₩	7,760,810

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(5) Details of deductible temporary differences and tax losses that are not recognized as deferred tax assets as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

		December 31, 2023		December 31, 2022
Deductible temporary differences	₩	10,820,186	₩	5,196,531
Tax losses		-		1,032,818
	₩	10,820,186	₩	6,229,349

(6) Details of taxable temporary differences that are not recognized as deferred tax liabilities as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

		December 31, 2023		December 31, 2022
Taxable temporary differences	₩	16,586,542	₩	31,482,093

37. EXPENSES BY NATURE:

Expenses classified by nature for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023			
	Changes in inventories	Cost of sales	Selling and administrative expenses	Total
Changes in inventories	₩ (44,113,797)	₩ -	₩ -	₩ (44,113,797)
Used raw material and purchase of merchandises	-	540,214,801	-	540,214,801
Outsourcing cost	-	30,491,070	-	30,491,070
Salaries and retirement benefits	-	-	115,065,848	115,065,848
Fees and charges	-	-	462,149,563	462,149,563
Rental fees	-	-	2,339,676	2,339,676
Depreciation	-	-	48,234,535	48,234,535
Amortization	-	-	10,956,133	10,956,133
Advertisement expense	-	-	43,578,440	43,578,440
Promotion expense	-	-	14,899,340	14,899,340
Transportation expense	-	-	20,962,087	20,962,087
Others	-	-	60,816,041	60,816,041
	₩ (44,113,797)	₩ 570,705,871	₩ 779,001,663	₩ 1,305,593,737

	2022			
	Changes in inventories	Cost of sales	Selling and administrative expenses	Total
Changes in inventories	₩ (59,988,809)	₩ -	₩ -	₩ (59,988,809)
Used raw material and purchase of merchandises	-	634,365,442	-	634,365,442
Outsourcing cost	-	33,668,380	-	33,668,380
Salaries and retirement benefits	-	-	115,661,526	115,661,526
Fees and charges	-	-	503,033,588	503,033,588
Rental fees	-	-	3,692,656	3,692,656
Depreciation	-	-	47,421,709	47,421,709
Amortization	-	-	9,905,851	9,905,851
Advertisement expense	-	-	55,941,445	55,941,445
Promotion expense	-	-	17,697,980	17,697,980
Transportation expense	-	-	20,206,682	20,206,682
Others	-	-	57,000,355	57,000,355
	₩ (59,988,809)	₩ 668,033,822	₩ 830,561,792	₩ 1,438,606,805

38. EARNINGS PER SHARE:

(1) Basic earnings per common share for each of the two years in the period ended December 31, 2023 are calculated as follows (in Korean won):

	2023	2022
Net income attributable to owners of the Group	₩ 39,212,175,058	₩ 118,275,859,292
Weighted-average number of common shares outstanding	35,700,000	35,700,000
Basic and diluted earnings per common share	₩ 1,098	₩ 3,313

(2) The Group did not issue any dilutive common shares that can be converted into common shares. Therefore, the diluted earnings per share are identical to the basic earnings per share.

39. COMMITMENT AND CONTINGENCIES:

(1) As of December 31, 2023, the Group has made contracts with KEB Hana Bank and others for bank overdraft agreement, with a credit limit of ₩10,000,000 thousand; and for purchase card agreements, with a credit limit of ₩22,800,000 thousand.

(2) As of December 31, 2023, the Group has an import letter of credit agreement with KEB Hana Bank and others, amounting to USD 192,400,000; and a credit line of derivatives with KB Kookmin Bank and others, amounting to USD 166,192,000. The banker's usance is actually allowed to be settled in U.S. dollars, as well as EUR and JPY.

(3) As of December 31, 2023, the Group has made a general loan agreement with Korea Development Bank and others, amounting to ₩55,000,000 thousand and USD 10,000,000. The Group has made contracts with Shinhan Bank and others for commercial paper agreement, with a credit limit of ₩20,000,000 thousand.

(4) As of December 31, 2023, the Group has made contracts with KB Kookmin Bank for comprehensive limit agreement, with a credit limit of USD 30,000,000; and with Shinhan Bank and others for other guarantee of payment of foreign currency, with a credit limit of USD 33,000,00.

(5) As of December 31, 2023, the Group has distributor agreements with Giorgio Armani and other brands, under which the Group is paying certain percentage of gross purchases as loyalty in return for being granted exclusive rights, which are not transferable, for importation and distribution of the products in the Republic of Korea.

(6) The Group has been provided ₩80,000 thousand guarantee of payment from Seoul Guarantee Insurance as of December 31, 2023, with regard to licensing.

(7) As of the end of the current term, the pending litigation cases due to the Group being sued are as follows (in thousands of Korean won):

a court of law	Plaintiff	Details of the case	litigation value	progress
Seoul Central District Court	Shinhan Bank and others	Restoration of real estate for sale	1,339,948 (*1)	The first trial is in progress
Seoul Central District Court	credit guaranty funding	Determination of stock purchase price	-	The first trial is in progress

(*1) Of the 1,339,948,000 won in litigation value, 1,218,135 thousand won, which was judged to be highly likely to occur, was recognized as other debts.(*1) Of the 1,339,948 thousand in litigation value, 1,218,135 thousand, which was judged to be highly likely to occur, was recognized as other debts.

40. CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Adjustments and changes in net working capital among cash generated from operations for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023		2022	
Adjustments:				
Interest income	₩	(4,486,805)	₩	(2,153,337)
Interest expense		8,872,161		5,614,834
Income tax expense		21,494,721		17,934,560
Retirement benefits		7,445,632		8,749,509
Depreciation		48,234,535		47,421,709
Amortization		10,956,133		9,905,851
Bad debts expense (Reversal)		2,040,407		(22,149)
Loss allowance doubtful other accounts (reversal)		(2,773)		735
Loss on valuation of inventories		3,572,223		226,767
Loss on foreign currency translation		1,732,077		8,211,226
Gain on foreign currency translation		(1,375,812)		(3,493,632)
Loss on derivatives transactions		913,767		-
Gain on derivatives transactions		(20,382)		-
Loss on derivatives valuation		2,450,804		1,310,020
Gain on derivatives valuation		(1,829,606)		(8,642,646)
Loss on disposal of property and equipment		2,583,485		5,872,468
Gain on disposal of property and equipment		(93,262)		(263,383)
Loss on disposal of intangible assets		45,623		58,620
Gain on disposal of intangible assets		-		(2,739)
Loss on disposal of investment assets		538,968		17
Gain on disposal of investment assets		(65,197)		(172,816)
Loss on valuation of FVTPL financial assets		-		330,000
Gain on valuation of FVTPL financial assets		(1,216,903)		(7,290,227)
Commission income		(165,668)		(90,489)
Share of profits of associates		(15,958,707)		(16,380,392)
Other		(398,418)		91,130
	₩	85,267,003	₩	67,215,636

	2023		2022	
Changes in net working capital:				
Decrease (increase) in trade receivables	₩	15,103,688	₩	(5,612,181)
Decrease (increase) in other receivables		6,657,535		(919,062)
Decrease (increase) in advance payments		1,597,161		(866,962)
Increase in prepaid expenses		(811,215)		(1,670,181)
Decrease (increase) in inventories		4,097,519		(38,741,541)
Decrease in trade payables		(8,355,445)		(3,940,525)
Increase (decrease) in other accounts payable		(11,191,058)		10,275,193
Increase (decrease) in accrued expenses		(2,420,470)		1,160,968
Increase (decrease) in withholdings		5,582,799		(1,363,414)
Increase (decrease) in advance received		192,402		(87,802)
Decrease in unearned income		(836,964)		(149,518)
Increase in deferred revenue		1,038,901		1,299,427
Increase in right of return assets		(8,308)		(763,596)
Increase in refund liabilities		13,538		1,710,009
Payment of retirement benefits		(5,641,829)		(7,584,939)
Increase in plan assets		(830,591)		(11,902,385)
Decrease in withholding deposit		-		(210,149)
Decrease in provisions for restoring		(192,940)		(153,303)
Increase in other long-term employee benefit		778,291		247,347
	₩	4,773,014	₩	(59,272,614)

40. CONSOLIDATED STATEMENTS OF CASH FLOWS (con'd):

(2) Significant non-cash transactions in investing and financing activities for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023	2022
Transfers of construction in progress to property and equipment	₩ 2,420,097	₩ 8,097,782
Transfers of construction in progress to intangible assets	4,759,141	3,471,291
Increase (decrease) in other accounts payable due to disposal of property and equipment	(1,249,729)	(366,276)
Increase (decrease) in other receivables due to acquisition of property and equipment	(1,795,850)	731,758
Increase (decrease) in other receivables due to acquisition of intangible assets	(998,464)	19,318
Increase in provision for restoring	634,780	626,900
Increase in right-of-use assets	25,695,615	6,732,950
Transfers of property and equipment to investment property	(20,290,908)	-

(3) Changes in liabilities arising from financing activities for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	2023							
		Cash flows		Non-cash transactions				
	Beginning balance	Borrowing	Repayment	Valuation	Amortization	Others	Other changes (*2)	Ending balance
Short-term borrowings	₩ 44,344,674	₩ 182,519,954	₩ (133,093,312)	₩ (702,494)	₩ -	₩ (2,713,433)	₩ -	₩ 90,355,389
Current debenture	66,798,529	-	(67,973,656)	686,900	301,027	88,450,941	-	88,263,741
Debentures	63,189,534	66,426,200	(141,266)	396,000	146,079	(87,774,886)	-	42,241,661
Lease liabilities	95,316,379	-	(17,419,324)	38,614	2,807,352	13,929,674	(2,807,352)	91,865,343
Derivative liabilities (assets) (*1)	(9,681,758)	19,708	-	621,198	-	79,446	-	(8,961,406)
Unpaid dividends	1,886	-	(17,958,953)	-	-	17,959,574	-	2,507
Non controlling interests liabilities	12,281,257	-	-	-	-	300,372	-	12,581,629
Withholding deposits	16,077,526	6,970,437	(4,222,819)	-	(158,057)	-	-	18,667,087
	₩ 288,328,027	₩ 255,936,299	₩ (240,809,330	₩ 1,040,218	₩ 3,096,401	₩ 30,231,688	₩ (2,807,352)	₩ 335,015,951

(*1) Interest rate and currency swap contracts in relation to foreign currency long-term borrowings and debentures, including gain (loss) on derivatives valuation due to interest rate and exchange rate fluctuations.

(*2) Other changes include lease contract changes and interest payments.

40. CONSOLIDATED STATEMENTS OF CASH FLOWS (con'd):

	2022							
		Cash flows		Non-cash transactions				
	Beginning balance	Borrowing	Repayment	Valuation	Amortization	Others	Other changes (*2)	Ending balance
Short-term borrowings	₩ 44,166,975	₩ 89,583,245	₩ (86,699,026)	₩ (1,328,258)	₩ -	₩ (1,378,262)	₩ -	₩ 44,344,674
current portion of long-term borrowings	-	-	-	(1,310,020)	-	17,514,080	-	16,204,060
Current debenture	-	-	-	3,272,000	121,735	47,200,734	-	50,594,469
Long-term borrowings	17,514,080	-	-	-	-	(17,514,080)	-	-
Debentures	106,030,679	-	(89,417)	4,090,000	269,589	(47,111,317)	-	63,189,534
Lease liabilities	113,294,105	-	(18,105,722)	32,352	2,801,267	95,644	(2,801,267)	95,316,379
Derivative liabilities (assets) (*1)	(2,349,132)	-	-	(7,332,626)	-	-	-	(9,681,758)
Unpaid dividends	2,244	-	(10,709,531)	-	-	10,709,173	-	1,886
Non controlling interests liabilities	-	12,010,000	-	-	-	271,257	-	12,281,257
	₩ 278,658,951	₩ 101,593,245	₩ (115,603,696)	₩ (2,576,552)	₩ 3,192,591	₩ 9,787,229	₩ (2,801,267)	₩ 272,250,501

(*1) Interest rate and currency swap contracts in relation to foreign currency long-term borrowings and debentures, including gain (loss) on derivatives valuation due to interest rate and exchange rate fluctuations.
(*2) Other changes include lease contract changes and interest payments.

41. OPERATING LEASE:

Operating leases, in which the Group is the leassor, relate to investment property owned by the Group with lease terms of between one year and five years. Most operating lease contracts contain market review clauses in the event that the leaee exercises its option to extend one-year additional lease term. The lesee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease payments as of December 31, 2023, is as follows (in thousands of Korean won):

	December 31, 2023		December 31, 2022	
Less than 1 year	₩	737,966	₩	453,566
1 year–5 years		301,241		381,815
More than 5 years		-		-
	₩	1,039,207	₩	835,381

Amounts recognized in profit and loss for the year ended December 31, 2023 is ₩1,199,662 thousand (₩929,916 thousand in 2022).

42. RELATED-PARTY TRANSACTIONS:

(1) Related parties of the Group as of December 31, 2023 are as follows:

Description	Names of related parties
Parent of the Company	Shinsegae Inc.
Subsidiaries of parent	Shinsegae Dongdaegu CTC Inc.; Shinsegae Central City Inc.; Shinsegae DF Inc.; Gwangju Shinsegae Co., Ltd. ; Daejeon Shinsegae Inc.; Seoul Express Bus Terminal Co., Ltd.; Silkwood Co., Ltd.; Shinsegae Casa Inc. (formely Casamia); Hanjie Shinsegae Consulting Service (Beijing) Ltd.; Casamia (Shanghai) Trading Co., Ltd.; Shinsegae DF Global Inc.; Mindmark Co., Ltd.; Studio 329 Co., Ltd.; Smart Shinsegae Focus Venture Fund; Purcell Inc.; Signite Thunder Venture Fund ; and Shinsegae Live Shopping Inc. (*2), Shinsegae Wellness Venture Fund No.2
Joint ventures of parent	Incheon Shinsegae Inc.
Associates of parent	Shinsegae Uijeongbu Station Development Inc., SSG.COM Corp., Suseo Station Transfer Center Complex Development, Shinsegae KDBC Atelier Venture Fund
Associates	Shinsegae Simon Inc. ; RCC Co.,Ltd. ; Signite Partners Co., Ltd.; Smart Shinsegae Signite Venture Fund; Shinsegae Wellness Venture Fund
Affiliates by the Act (*1)	E-mart Inc.; SCK Company Co., Ltd.; Shinsegae Information & Communication Inc.; Shinsegae L&B Co., Ltd.; Shinsegae Food Inc.; Chosun Hotel&Resort Inc.; Shinsegae Engineering & Construction Inc.; E-mart Everyday Inc.; Shinsegae Youngrangho Resort Inc.; Shinsegae Property Inc.; Starfield Hanam Inc.; Starfield Cheongna Inc.; Starfield Goyang Inc.; Starfield Changwon Inc; E-mart24 Inc.; Starfield Ansung Inc.; Starfield Suwon Inc.; Serinfood Inc.; Shinsegae Hwaseong Inc.; W Concept Korea Co., Ltd.; Smoothie King Korea Inc.; SP Cheongju Professional Investment Type Real Estate Investment Group; Shinsegae Baseball Club Co., Ltd.; Apollo Korea Ltd.; Shinsegae Dong-Seoul PFV Co., Ltd.; Emerald SPV CO., Ltd.;Gmarket Global Inc.; SP Namyangju Byeollae PFV Inc.; PL Grim Co. Ltd.; SMPMC Co., Ltd.; Magic Flow Co., Ltd.; etc.

(*1) These companies are not related parties as defined in paragraph 9 of KIFRS 1024. However, affiliated companies of a conglomerate designated by the Fair Trade Commission are classified as related parties in accordance with the resolution of the Securities and Futures Commission that these companies are related parties according to the substance of the relationship defined in paragraph 10 of KIFRS 1024.

(*2) Its classification was changed from an affiliate of large business group into a subsidiary of the Parent company as a result of the issuance of share capital by the Parent company during the prior year.

42. RELATED-PARTY TRANSACTIONS (con'd):

(2) Significant transactions between the Group and its related parties for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

		2023		
	Related party	Income		Expense (*1,2)
		Sales	Others	Others
Parent of the Company	Shinsegae Inc.	₩ 6,110,668	₩ 414,557	₩ 62,441,403
Subsidiaries of parent	Shinsegae Casa Inc.	19,369	355	140,402
	Seoul Express Bus Terminal Co., Ltd.	-	-	9,690
	Daejeon Shinsegae Inc.	6,035	-	5,983,718
	Shinsegae Central City Inc.	113,001	3,000	139,165
	Shinsegae Dongdaegu CTC Inc.	-	-	8,610,180
	Shinsegae DF Inc	22,309,548	-	5,610,475
	Shinsegae Live Shopping Inc.	41,667	44,223	22,039
	Shinsegae DF Global Inc.	102,523	60,024	-
	Gwangju Shinsegae Co., Ltd.	6,762	-	4,368,249
	Mindmark Co., Ltd.	790	-	-
	Purcell Inc.	426,435	242,039	2,770
Associates of parent	SSG.com Corp.	-	-	2,488,008
Associates	Shinsegae Simon Inc.	33,131	15,438,800	10,592,542
	RCC Co.,Ltd.	284,056	12,710	-
	Signite Partners Co., Ltd.	359	533,485	-
Affiliates by the Act	E-mart Inc.	1,864,224	153,106	30,518,047
	Others	4,404,689	230,292	27,807,655

(*1) It does not include the dividends paid to related parties and others.
(*2) Regarding lease transactions with related parties, the Group recognized KRW 9,115,268 thousand for depreciation of right-of-use assets and KRW 2,469,313 thousand for interest expenses during the current period, and related lease fees are included in Others.

		2022		
	Related party	Income		Expense (*1,2)
		Sales	Others	Others
Parent of the Company	Shinsegae Inc.	₩ 4,315,673	₩ 13,888	₩ 79,561,147
Subsidiaries of parent	Shinsegae Casa Inc. (formely Casamia)	73,857	-	131,189
	Daejeon Shinsegae Inc.	2,172	1,280,864	10,174,446
	Shinsegae Central City Inc.	115,926	3,000	104,285
	Shinsegae Dongdaegu CTC Inc.	-	-	11,172,013
	Shinsegae DF Inc	22,093,481	-	3,132,132
	Shinsegae DF Global Inc.	18,114	60,024	110
	Gwangju Shinsegae Co., Ltd.	2,815	-	4,448,613
	Mindmark Co., Ltd.	2,009	-	-
	Purcell Inc.	192,363	79,348	15,050
Associates of parent	SSG.com Corp.	-	-	1,806,286
Associates	Shinsegae Simon Inc.	12,328	13,509,250	11,408,405
	RCC Co.,Ltd. (formely RawRow Inc.)	485,748	-	-
	Signite Partners Co., Ltd.	6,946	242,656	-
Affiliates by the Act	E-mart Inc.	35,681,209	816,063	32,485,040
	Others	4,770,003	9,119	25,854,465

(*1) It does not include the dividends paid to related parties and others.
(*2) Regarding lease transactions with related parties, the Group recognized KRW 7,178,240 thousand for depreciation of right-of-use assets and KRW 2,278,431 thousand for interest expenses during the current period, and related lease fees are included in Others.

42. RELATED-PARTY TRANSACTIONS (con'd):

(3) Outstanding balances between the Group and its related parties as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

		December 31, 2023		
		Receivables		Payables (*1)
	Related party	Trade receivables	Others	Others
Parent of the Company	Shinsegae Inc.	₩ 20,934,233	₩ 10,615,892	₩ 75,083,560
Subsidiaries of parent	Shinsegae Casa Inc.	-	-	35,756
	Daejeon Shinsegae Inc.	1,964,337	-	-
	Shinsegae Central City Inc.	12,132	398,400	32,821
	Shinsegae Live Shopping Inc.	5,368	-	-
	Shinsegae Dongdaegu CTC Inc.	2,846,738	-	-
	Shinsegae DF Inc	202,702	-	41,223
	Shinsegae DF Global Inc.	-	5,502	264
	Gwangju Shinsegae Co., Ltd.	1,392,860	-	15,055
	Purcell Inc.	58,738	10,812	60,000
Associates of parent	SSG.com Corp.	569,847	88,043	65,012
Associates	Shinsegae Simon Inc.	4,779,469	-	7,904,200
	RCC Co.,Ltd.	-	-	40,547
	Signite Partners Co., Ltd.	-	22,654	1,500,000
Affiliates by the Act	E-mart Inc.	8,388,680	-	16,504
	Others	3,473,890	28,626,714	5,171,560

(*1) Regarding lease transactions with related parties, the Group recognized right-of-use assets of ₩77,292,271 thousand and lease liabilities and financial lease receivables, which is included in others, of ₩79,603,198 thousand as of December 31, 2023.

		December 31, 2022		
		Receivables		Payables (*1)
	Related party	Trade receivables	Others	Others
Parent of the Company	Shinsegae Inc.	₩ 26,577,430	₩ 1,971,000	₩ 67,349,395
Subsidiaries of parent	Shinsegae Casa Inc.	488	-	90,605
	Daejeon Shinsegae Inc.	3,368,056	-	-
	Shinsegae Central City Inc.	19,725	-	27,509
	Shinsegae Dongdaegu CTC Inc.	3,732,545	-	39,599
	Shinsegae DF Inc	941,284	-	36,213
	Shinsegae DF Global Inc.	-	5,502	482
	Gwangju Shinsegae Co., Ltd.	1,193,813	-	15,055
	Purcell Inc.	26,725	-	60,000
Associates of parent	SSG.com Corp.	788,452	-	24,431
Associates	Shinsegae Simon Inc.	5,073,964	-	8,757,498
	Signite Partners Co., Ltd.	-	22,004	1,500,000
Affiliates by the Act	E-mart Inc.	8,534,085	1,202,199	179,396
	Others	3,720,339	19,484,396	6,057,705

(*1) Regarding lease transactions with related parties, the Group recognized right-of-use assets of ₩68,122,898 thousand and lease liabilities and financial lease receivables, which is included in others, of ₩76,866,214 thousand as of December 31, 2022.

(4) Significant equity transactions with the related parties for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	Related party	Method of investment	2023	2022
Parent of the Company	Shinsegae Inc.	Payment of dividends	₩ 6,946,105	₩ 4,167,663
Associates	Shinsegae Simon Inc.	Receipt of dividends	15,436,400	13,506,850

42. RELATED-PARTY TRANSACTIONS (con'd):

(5) Significant equity transactions with related parties for each of the two years in the period ended December 31, 2023 are as follows (in thousands of Korean won):

	Related party	Method of investment	2023	2022
Associates	Signite Partners Co., Ltd.	Cash and cash equivalents	₩ -	₩ 5,000,000
Associates	Smart Shinsegae Signite Venture Fund	Cash and cash equivalents	-	4,000,000
Associates	Shinsegae Wellness Venture Fund	Cash and cash equivalents	-	4,500,000
			₩ -	₩ 13,500,000

(6) There is no lending to related parties, borrowings from related parties, guarantees provided by related parties or guarantees provided to related parties as of December 31, 2023.

(7) The compensation for the key management of the Group for each of the two years in the period ended December 31, 2023 is as follows (in thousands of Korean won):

	2023	2022
Salaries	₩ 4,322,009	₩ 2,972,305
Retirement benefits	294,902	602,180
	₩ 4,616,911	₩ 3,574,485

Key management consists of registered executive officers who have the authority and responsibility in planning, performing and controlling the Group's operations.

43. RISK MANAGEMENT:

(1) Capital risk management

The Group performs capital management to maintain its ability to continuously provide profits to shareholders and to maintain its ability to continue as a going concern. The overall capital risk management policy of the Group is consistent with that of the prior year.

The Group utilizes the debt ratio and net borrowing ratio as capital management index. The debt ratio and net borrowing ratio as of December 31, 2023 and 2022 are as follows (in thousands of Korean won):

	December 31, 2023	December 31, 2022
Liabilities	₩ 472,354,836	₩ 445,005,787
Equity	851,714,750	833,676,028
Cash and cash equivalents	153,501,152	48,752,301
Total borrowings	220,860,790	174,332,738
Debt ratio	55.46%	53.38%
Net borrowings ratio	7.91%	15.06%

(2) Financial risk management

1) Market risk

1-1) Foreign currency risk
The Group is exposed to foreign currency risk, since it makes transactions in foreign currencies. Foreign currency risk is managed within the limits of approved Group policy, which is to use derivative instrument contracts.

43. RISK MANAGEMENT (con'd):

The book value of the Group's monetary assets and liabilities denominated in foreign currencies as of December 31, 2023 and 2022 is as follows (in thousands of Korean won):

	Assets				Liabilities			
	December 31, 2023		December 31, 2022		December 31, 2023		December 31, 2022	
USD	₩	4,298,707	₩	8,914,866	₩	154,863,391	₩	155,068,120
EUR		1,738,649		4,020,108		33,336,281		59,694,992
Other currency		1,684,518		38,330		4,268,387		21,108,937
	₩	7,721,874	₩	12,973,304	₩	192,468,059	₩	235,872,049

1-2) Foreign currency sensitivity analysis

The Group is generally exposed to the risk of foreign currencies in USD and EUR. A sensitivity analysis on the Group's net income before income tax expense for the period, assuming 10% increase or 10% decrease in currency exchange rate, as of December 31, 2023 and 2022, is as follows (in thousands of Korean won):

	December 31, 2023				December 31, 2022			
	10% increase against foreign currency		10% decrease against foreign currency		10% increase against foreign currency		10% decrease against foreign currency	
USD	₩	(1,969,058)	₩	1,969,058	₩	(1,702,125)	₩	1,702,125
EUR		(3,159,763)		3,159,763		(5,567,488)		5,567,488
Other currency		(258,387)		258,387		(418,536)		418,536
	₩	(5,387,208)	₩	5,387,208	₩	(7,688,149)	₩	7,688,149

The sensitivity analysis is conducted on monetary assets and liabilities denominated in foreign currencies other than functional currency as of December 31, 2023 and 2022, excluding monetary assets and liabilities with fixed exchange rates through currency swaps.

2) Interest rate risk

The Group is exposed to the risk of changes in the value of financial statements (financial assets and financial liabilities) due to price fluctuations and interest rate fluctuation risk, such as the risk of fluctuations in interest income (expense) from investments and borrowings. The Group's interest rate risk is mainly due to the issuance of interest-bearing liabilities, such as bonds and investments, in interest-earning assets. The Group has established and operates policies to minimize the risk of uncertainty and financial costs due to interest rate fluctuations.

3) Credit risk

For the purpose of minimizing credit risk, the Group has adopted a policy of dealing with customers with a certain level of credit or higher and receiving sufficient collateral as a means of mitigating financial loss caused by default. We continuously review the Group's credit risk exposure and the credit rating of the customer. The total amount of these transactions is even distributed among the approved counterparties.

The Group has credit approval and other review procedures to recover the overdue receivables. In addition, the allowance for doubtful receivables and other receivables at the end of the reporting period is reviewed on an individual basis to recognize the allowance for uncollectible amounts. Trade receivables and other receivables consist of a number of accounts and are spread across a variety of industries and geographical areas, and credit ratings continue to be established for trade receivables and other receivables.

Credit risk refers to the risk that the counterparty will default on its contractual obligations and cause financial loss to the Group. The maximum amount of financial loss to be incurred by the Group due to non-fulfillment of obligations of counterparties in the event that collateral or other credit enhancement is not taken into consideration is as follows:

- The book value of each financial asset recognized in the consolidated financial statements; and
- Regardless of the likelihood of the guarantee being exercised, the maximum amount the Group is required to pay when a financial guarantee is requested.

43. RISK MANAGEMENT (con'd):

The Group's credit risk rating systems are as follows:

Classification	Comment	Recognizing ECLs.
Normal	The counterparty's credit risk is low and not overdue	12 months' ECL
Overdue	Days past due that exceeds 90 days or the credit risk increases significantly after the initial recognition	Total ECLs – non-impairment
Write-off	There is evidence that the debtor is experiencing severe financial difficulties and cannot reasonably be expected to recover	Write-off

Meanwhile, financial assets exposed to credit risk are excluded from disclosure as their book value best represents the maximum degree of exposure to credit risk.

4) Liquidity risk

The Group manages liquidity risk by establishing short-term and long-term fund management plans. The Group analyzes and reviews actual cash outflows and its budget to correspond the maturity of financial liabilities to that of financial assets. The Group's management believes that the Group can redeem its financial liabilities by cash flows from operating activities and cash inflows from financial assets.

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. Meanwhile, interest cash flows of banker's usance are not included as the balance fluctuates frequently.

	December 31, 2023			
	Less than 1 year	1 year–5 years	More than 5 years	Total
Trade payables	₩ 27,176,357	₩ -	₩ -	₩ 27,176,357
Other accounts payable	53,893,271	-	-	53,893,271
Short-term borrowings	90,355,389	-	-	90,355,389
Debentures	88,323,900	42,550,200	-	130,874,100
Lease liabilities	15,631,514	33,188,420	64,623,376	113,443,310
Other financial liabilities	9,928,656	17,017,255	5,711,671	32,657,582
	₩ 285,309,087	₩ 92,755,875	₩ 70,335,047	₩ 448,400,009

	December 31, 2022			
	Less than 1 year	1 year–5 years	More than 5 years	Total
Trade payables	₩ 32,848,575	₩ -	₩ -	₩ 32,848,575
Other accounts payable	67,552,573	-	-	67,552,573
Short-term borrowings	44,344,674	-	-	44,344,674
Long-term borrowings	16,204,060	-	-	16,204,060
Debentures	18,564,839	30,869,681	68,218,576	117,653,096
Lease liabilities	12,123,563	1,980,000	3,248,000	17,351,563
Other financial liabilities	50,692,000	63,365,000	-	114,057,000
	₩ 242,330,284	₩ 96,214,681	₩ 71,466,576	₩ 410,011,541

44. Evert after reporting period

As per the board resolution dated January 17, 2024, the Group issued a private placement of foreign currency bonds (with a maturity of 3 years at a 4.12% interest rate) amounting to USD 25,000,000 on February 14, 2024.