LG CORP.

SEPARATE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

LG CORP.

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Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 21, 2022.

To the Shareholders and the Board of Directors of LG Corp.:

Our Opinion

We have audited the separate financial statements of LG Corp. (the "Company"), which comprise the separate statement of financial position as of December 31, 2021, and December 31, 2020, respectively, and the related separate statement of income, separate statement of comprehensive income, separate statement of changes in shareholders' equity and separate statement of cash flows, all express in Korean won, for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and December 31, 2020, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We have also audited, in accordance with the Korean Standards on Auditing("KSAs"), the internal control over financial reporting of the Company as of December 31, 2021, based on 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' and our report dated March 21, 2022, expressed an unqualified opinion.

Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the separate financial statements in the Republic of Korea, and 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 Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment Test of Investments in Associates.

As noted in Note 3 (Key sources of estimation uncertainty), the Company is considering the impairment to the investment of associates at the end of the reporting period, and the recoverable amount is based on the higher value of use or net fair value. This calculation is based on estimation, and if the recoverable amount is less than the carrying amount, the impairment loss is recognized.

As noted in Note 11, the Company's management determined that there were signs of asset impairment in the business plan of ZKW Holding GmbH and ZKW Australia Immobilien Holding GmbH classified as investment in associates, and evaluated the impairment in accordance with K-IFRS 1036.

The Company recognized a impairment loss of 222.6 billion won for ZKW Holding GmbH and ZKW Australia Immobilien Holding GmbH in the current period, and as of December 31, 2021, after recognizing the impairment loss, the carrying amount of the shares was 160.2 billion won and 8.7 billion won, respectively.

We determined this matter to key audit matters with consideration of the significant amount of impairment loss recognized by the Company in ZKW Holding GmbH and ZKW Australia Immobilien Holding GmbH investment shares in the current period, and the significant management's judgment on the Company's impairment assessment.

The major audit procedures we have conducted in relation to the key audit matters are as follows:

- Questions and understanding of the Company's accounting policies and internal controls related to impairment assessment of investment assets.
- Review management's assessment of the existence of any impairment signs of investment in associates held by the Company.
- Evaluate the objectivity and eligibility of independent external experts used by the Company's management in impairment test.
- Ask about the methodology and key significant assumptions (future cash flows, discount rate, etc.) of the valuation model applied by the Company and confirm their validity.
- Evaluate the appropriateness of management's estimation of business plans by comparing ZKW' business plan used in the previous period impairment assessment with the current period performance.
- Check the sensitivity analysis of the impairment test presented by the management.

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

Management is responsible for the preparation of the accompanying separate financial statements in accordance with K-IFRS, and for such internal control as they determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audits of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 Company's ability to continue as a going concern. If

we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors’ 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 auditors’ report is Su-Jae Jang.

Deloitte Anjin LLC

March 21, 2022

Notice to Readers

This report is effective as of March 21, 2022, the auditors’ report date. Certain subsequent events or circumstances may have occurred between the auditors’ report date and the time the auditors’ report is read. Such events or circumstances could significantly affect the separate financial statements and may result in modifications to the auditors’ report.

LG CORP. (the “Company”)

SEPARATE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

The accompanying separate financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Company.

Bong-Seok Kwon
President and Chief Operating Officer
LG Corp.

LG CORP.
SEPARATE STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	Korean won			
	December 31, 2021		December 31, 2020	
	(In millions)			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 5, 6, 19 and 26)	₩	210,756	₩	472,495
Financial institution deposits (Notes 5, 19, 23 and 26)		1,550,000		1,128,000
Other receivables, net (Notes 5, 7, 19, 22 and 26)		69,826		14,027
Other current assets (Note 8)		817		1,264
Assets held for sale (Notes 9, 11 and 28)		-		17,157
Assets held for distribution to owners (Notes 11 and 29)		-		913,338
Total current assets		1,831,399		2,546,281
NON-CURRENT ASSETS:				
Other financial assets (Notes 5, 19 and 26)		189,309		96,894
Other non-current receivables, net (Notes 5, 7, 23 and 26)		505		5
Investments in subsidiaries (Note 11)		758,789		758,789
Investments in associates and joint ventures (Notes 11 and 29)		6,034,875		6,257,538
Other non-current assets (Note 8)		2,775		1,851
Property, plant and equipment, net (Note 9)		41,321		43,069
Investment property, net (Notes 9 and 24)		828,833		847,079
Intangible assets (Note 10)		19,888		18,225
Right-of use assets (Note 24)		1,005		1,109
Total non-current assets		7,877,300		8,024,559
TOTAL ASSETS	₩	9,708,699	₩	10,570,840

(Continued)

LG CORP.
SEPARATE STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020 (CONTINUED)

	Korean won			
	December 31, 2021		December 31, 2020	
	(In millions)			
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Other current payables (Notes 5, 19, 22 and 26)	₩	139,698	₩	108,879
Current tax liabilities (Note 20)		33,721		47,724
Other current liabilities (Note 13)		5,833		18,519
Current lease liabilities (Notes 5, 19, 24 and 26)		616		644
Liabilities related to assets held for sale (Note 28)		-		539
Liabilities held for distribution to owners (Note 29)		-		2,490
Total current liabilities		179,868		178,795
NON-CURRENT LIABILITIES:				
Derivative financial liabilities (Notes 5 and 26)		38,982		39,196
Other non-current payables (Notes 5, 19, 22 and 26)		8,357		11,144
Net defined benefit liability (Note 12)		260		4,874
Deferred tax liability (Note 20)		66,510		62,078
Other non-current liabilities (Note 13)		4,069		4,478
Non-current lease liabilities (Notes 5, 19, 24 and 26)		396		478
Total non-current liabilities		118,574		122,248
TOTAL LIABILITIES		298,442		301,043
SHAREHOLDERS' EQUITY				
Issued capital (Note 14)		801,613		879,359
Capital surplus (Note 15)		2,413,576		2,409,002
Other capital items (Note 14)		(1,569,515)		(2,385)
Accumulated other comprehensive income (Note 16)		23,965		35,940
Retained earnings (Note 17)		7,740,618		6,947,881
TOTAL EQUITY		9,410,257		10,269,797
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	₩	9,708,699	₩	10,570,840

(Concluded)

See accompanying notes to separate financial statements.

LG CORP.
SEPARATE STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Korean won			
	Year ended December 31, 2021		Year ended December 31, 2020	
	(In millions)			
Operating income:				
Dividend income (Notes 4, 18 and 22)	₩	518,273	₩	614,506
Royalty revenue (Notes 4, 18 and 22)		340,801		271,372
Rental revenue (Notes 4, 18, 22 and 24)		130,686		130,324
		989,760		1,016,202
Operating expenses:				
Employee benefit (Notes 18 and 22)		63,575		49,156
Depreciation (Notes 9 ,18 and 24)		23,758		23,619
Other operating expenses (Notes 18 and 22)		162,054		149,404
		249,387		222,179
Net operating income (Note 18)		740,373		794,023
Non-operating income and expenses:				
Financial income (Notes 19 and 22)		16,726		15,703
Financial expenses (Note 19)		434		520
Other non-operating income (Note 28)		18,771		817,794
Other non-operating expenses (Note 11)		223,120		35,541
Continuing operating profit before income tax expense		552,316		1,591,459
Income tax expense for continuing operations (Note 20)		84,520		291,982
Continuing operating profit		467,796		1,299,477
Discontinued operating income and expenses (Note 29)		766,216		31,874
Profit for the year	₩	1,234,012	₩	1,331,351
Earnings per share (in Korean won):				
Continuing and discontinued operations				
Common stock basic/diluted (Note 21)	₩	7,457	₩	7,573
Pre-1996 Commercial Law Amendment preferred stock basic/diluted (Note 21)		7,507		7,623
Continuing operation				
Common stock basic/diluted (Note 21)		2,826		7,392
Pre-1996 Commercial Law Amendment preferred stock basic/diluted (Note 21)		2,876		7,442

See accompanying notes to separate financial statements.

LG CORP.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Korean won			
	Year ended December 31, 2021		Year ended December 31, 2020	
	(In millions)			
Profit for the year	₩	1,234,012	₩	1,331,351
Other comprehensive income (loss):		(13,657)		(1,437)
Items that will not be reclassified subsequently to profit or loss		(13,657)		(1,437)
Remeasurement on the net defined benefit liability		(1,682)		(303)
Net gain (loss) on other financial assets		(11,975)		(1,134)
Total comprehensive income for the year	₩	1,220,355	₩	1,329,914

See accompanying notes to separate financial statements.

LG CORP.
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Korean won					
	Issued capital	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total
			(In millions)			
Balance at January 1, 2020	₩ 879,359	₩ 2,409,002	₩ (2,385)	₩ 37,074	₩ 6,003,695	₩ 9,326,745
Annual dividends	-	-	-	-	(386,862)	(386,862)
Profit for the year	-	-	-	-	1,331,351	1,331,351
Remeasurement on the net defined benefit liability	-	-	-	-	(303)	(303)
Net gain (loss) on other financial assets	-	-	-	(1,134)	-	(1,134)
Balance at December 31, 2020	₩ 879,359	₩ 2,409,002	₩ (2,385)	₩ 35,940	₩ 6,947,881	₩ 10,269,797
Balance at January 1, 2021	₩ 879,359	₩ 2,409,002	₩ (2,385)	₩ 35,940	₩ 6,947,881	₩ 10,269,797
Annual dividends	-	-	-	-	(439,593)	(439,593)
Profit for the year	-	-	-	-	1,234,012	1,234,012
Remeasurement on the net defined benefit liability	-	-	-	-	(1,682)	(1,682)
Net gain (loss) on other financial assets	-	-	-	(11,975)	-	(11,975)
Disposition of treasury shares	-	4,574	2,385	-	-	6,959
Changes resulting from spin-off	(77,746)	-	(1,563,355)	-	-	(1,641,101)
Acquisition of treasury stock	-	-	(6,160)	-	-	(6,160)
Balance at December 31, 2021	₩ 801,613	₩ 2,413,576	₩ (1,569,515)	₩ 23,965	₩ 7,740,618	₩ 9,410,257

See accompanying notes to separate financial statements.

LG CORP.
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Korean won	
	Year ended December 31, 2021	Year ended December 31, 2020
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	₩ 1,234,012	₩ 1,331,351
Additions of expenses not involving cash outflows:		
Depreciation	23,871	23,964
Amortization of intangible assets	2,096	2,048
Retirement benefits	4,878	4,691
Interest expenses	429	408
Income tax expense	85,226	295,077
Loss on disposals of property, plant and equipment	10	10
Loss on disposals of intangible assets	7	13
Impairment loss on investments in associates	222,663	35,424
Other selling and administration expenses	63	137
	339,243	361,772
Deduction of income not involving cash inflows:		
Interest income	16,974	16,083
Dividend income	554,267	649,595
Other operating income	411	384
Gain on disposals of investment property	14,383	-
Gain on disposals of property, plant and equipment	158	227
Gain on sale of discontinued business	731,132	-
Gain on disposals of investments in subsidiaries	-	816,562
Gain on disposals of other financial assets	-	425
Gain on valuation of derivatives	213	-
	(1,317,538)	(1,483,276)
Movements in working capital:		
Other receivables	(54,350)	23,821
Other current assets	273	1,886
Other non-current assets	(3,952)	(1,234)
Other payables	27,376	(15,004)
Other current liabilities	(2,002)	922
Net defined benefit liability	(10,166)	(6,082)
	(42,821)	4,309

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LG CORP.
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONTINUED)

	Korean won			
	Year ended December 31, 2021		Year ended December 31, 2020	
	(In millions)			
Interest income received	₩	15,933	₩	13,759
Dividend income received		554,267		649,595
Interest expenses paid		19		25
Income taxes paid		92,412		280,142
		477,769		383,187
Net cash provided by operating activities		690,665		597,343
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in financial institution deposits		2,450,000		1,150,500
Decrease in long-term advance payments		1,543		-
Disposals of investments in subsidiaries		-		991,935
Disposals of other financial assets		-		975
Disposals of property, plant and equipment		234		324
Disposals of investment property		20,924		10,616
Disposals of intangible assets		335		592
		2,473,036		2,154,942
Cash outflows for investing activities:				
Increase in financial institution deposits		2,700,000		1,950,000
Increase in deposits provided		502		-
Acquisitions of investments in associates		-		90,005
Acquisitions of other financial assets		108,214		-
Acquisitions of property, plant and equipment		1,836		218
Acquisitions of investment properties		1,428		1,220
Acquisitions of intangible assets		2,632		1,102
		(2,814,612)		(2,042,545)
Net cash (used in) provided by investing activities		(341,576)		112,397

(Continued)

LG CORP.
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONTINUED)

	Korean won			
	Year ended December 31, 2021		Year ended December 31, 2020	
	(In millions)			
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows for financing activities:				
Short-term borrowings	₩	-	₩	4,619
Disposition of treasury stock		8,420		-
		8,420		4,619
Cash outflows for financing activities:				
Payments of dividends		439,571		386,844
Repayment of short-term borrowings		-		4,619
Redemptions of lease liabilities		703		674
Acquisition of treasury stock		6,160		-
Cash outflow from spin-off		172,814		-
		(619,248)		(392,137)
Net cash used in financing activities		(610,828)		(387,518)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(261,739)		322,222
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF YEAR		472,495		150,273
Effects of exchange rate changes on cash and cash equivalents		-		-
CASH AND CASH EQUIVALENTS, AT THE END OF YEAR	₩	210,756	₩	472,495

(Concluded)

See accompanying notes to separate financial statements.

LG CORP.
NOTES TO SEPARATE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. GENERAL:

LG Corp. (the "Company") is an investment holding company, which was formed to meet the changes in domestic and international business environments and become a global competitor through an effective management specializing its business sector. On March 1, 2003, it acquired LG Electronics Inc. ("LGEI"), an investment company, and the real estate lease and investment business company, Serveone Co., Ltd.

The Company has been listed on the Korea Stock Exchange market since February 1970. After numerous paid-up capital increases, spin-offs and mergers, the Company has outstanding capital stock of ₩801,613 million, including preferred stocks of ₩15,108 million as of December 31, 2021.

As of December 31, 2021, the Company's related parties and major shareholders are as follows:

Name of shareholder	Number of shares	Percentage of shares (%) (*)
Koo, Kwang Mo	25,096,717	15.65
Koo, Bon Sik	7,045,306	4.39
Kim, Young Sik	6,611,838	4.12
Koo, Bon Neung	4,790,423	2.99
Koo, Yeon Kyung and others	15,821,784	9.89
LG Yonam Education Foundation	3,350,761	2.09
LG Yonam Foundation	1,761,906	1.10
LG Evergreen Foundation	760,000	0.47
LG Welfare Foundation	360,000	0.22
Others	94,723,878	59.08
Total	160,322,613	100.00

(*) Includes preferred stocks

2. STANDARDS AFFECTING PRESENTATION AND DISCLOSURE AND SIGNIFICANT ACCOUNTING POLICIES:

The separate financial statements have been confirmed at the board of directors' meeting held on February 10, 2022, and will be finalized at the shareholders' meeting on March 29, 2022.

Management has reasonable expectations that at the time of approving the separate financial statements, the Company has sufficient resources to continue as an entity for a foreseeable future period. Therefore, management prepared separate financial statements on the premise of going concern.

The Company has adopted the Korean International Financial Reporting Standards ("K-IFRSs"). These are the separate financial statements of the Company in accordance with K-IFRS 1027 (separate financial statements), those presented by a parent, an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with K-IFRS 1109 (Financial Instruments) or K-IFRS 1028 Investment in Associates.

The significant accounting policies under K-IFRS followed by the Company in the preparation of separate financial statements are summarized below. Unless stated otherwise, these accounting policies have been applied consistently to the separate financial statements for the current period and the comparative period.

(1) Amendments to K-IFRSs and new interpretations that are mandatorily effective for the current year

1) Newly adopted and revised standards, their interpretations and thereby changes in accounting policies being effective for the financial year beginning on January 1, 2021, are as follows:

- K-IFRS 1116 Leases – Impact of the initial application of Covid-19-Related Rent Concessions (Amendment) beyond 30 June 2021

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying K-IFRS 1116 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022, and increased lease payments that extend beyond June 30, 2022)
- There is no substantive change to other terms and conditions of the lease.

The Company does not anticipate that the application of the amendments will have a significant impact on its separate financial statements.

-Impact of the initial application of Interest Rate Benchmark Reform

In the current year, the Company adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to K-IFRS 1109, K-IFRS 1039, K-IFRS 1107, K-IFRS 1104 and K-IFRS 1116. Adopting these amendments enables the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The Company does not apply hedge accounting related to the exposure of interest rate benchmark, so neither the first stage nor the second stage amendments has any effect on its accounting.

The Company does not anticipate that the application of the enactment and amendments will have a significant impact on its separate financial statements.

2) New and revised K-IFRSs in issue but not yet effective

- K-IFRS 1117 Insurance Contracts

K-IFRS 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes K-IFRS 4 Insurance Contracts.

K-IFRS 1117 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the board issued Amendments to K-IFRS 1117 to address concerns and implementation challenges that were identified after K-IFRS 1117 was published. The amendments defer the date of initial application of K-IFRS 1117 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the board issued Extension of the Temporary Exemption from Applying K-IFRS 1109 (Amendments to K-IFRS 1104) that extends the fixed-expiry date of the temporary exemption from applying K-IFRS 1109 in K-IFRS 1104 to annual reporting periods beginning on or after January 1, 2023.

K-IFRS 1117 must be applied retrospectively, unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

- K-IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendment)

The amendments to K-IFRS 1001 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period; specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; explain that rights are in existence if covenants are complied with at the end of the reporting period; and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1 2023, with early application permitted.

- K-IFRS 1103 Business Combinations - Reference to the Conceptual Framework (Amendment)

The amendments update K-IFRS 1103 so that it refers to the Conceptual Framework (2018) instead of the Framework (2007).
They also add to K-IFRS 1103 a requirement that, for obligations within the scope of K-IFRS 1037, an acquirer applies K-IFRS 1037 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of K-IFRS 2121 Levies, the acquirer applies K-IFRS 2121 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- K-IFRS 1016 Property, Plant and Equipment - Proceeds before Intended Use (Amendment)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with K-IFRS 1002 Inventories.

The amendments also clarify the meaning of ‘testing whether an asset is functioning properly.’ K-IFRS 1016 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.
The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

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

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract.' Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- Annual Improvements to K-IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards, such as K-IFRS 1101 *First-time Adoption of K-IFRS*, K-IFRS 1109 *Financial Instruments*, K-IFRS 1116 *Leases* and K-IFRS 1041 *Agriculture*.

1. K-IFRS 1101 *First-time Adoption of K-IFRS* (Amendment)

   The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in K-IFRS 1101 paragraph D16(1) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to K-IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in K-IFRS 1101 paragraph D16(1).

   The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

2. K-IFRS 1109 *Financial Instruments* (Amendment)

   The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

   The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

3. K-IFRS 1116 *Leases* (Amendment)

The amendment removes the illustration of the reimbursement of leasehold improvements.
As the amendment to K-IFRS 1116 only regards an illustrative example, no effective date is stated.

4. K-IFRS 1041 *Agriculture* (Amendment)

The amendment removes the requirement in K-IFRS 1041 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in K-IFRS 1041 with the requirements of K-IFRS 1113 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or posttax cash flows and discount rates for the most appropriate fair value measurement.
The amendment is applied prospectively, i.e., for fair value measurements on or after the date an entity initially applies the amendment.
The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

-K-IFRS 1001 Presentation of Financial Statements and K-IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies(Amendment)

The amendments change the requirements in K-IFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information.' Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.
The board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in K-IFRS Practice Statement 2.

The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

-K-IFRS 1008 Accounting Polices, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates (Amendment)

The amendments replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty."

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

-K-IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment)

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying K-IFRS 1116 at the commencement date of a lease.

Following the amendments to K-IFRS 1012, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS 1012.

The board also adds an illustrative example to K-IFRS 1012 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
    - Right-of-use assets and lease liabilities
    - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

The Company does not anticipate that the application of the enactment and amendments will have a significant impact on its separate financial statements.

(2) Basis of preparing separate financial statements

1) Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except otherwise stated below, such as financial instruments.

2) Functional and reporting currency
The separate financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Company's functional currency and the reporting currency for the separate financial statements is Korean won.

(3) Foreign currency translation

Transactions that occur in currencies other than the Company's functional currency will be recorded at a translated amount using the exchange rate on the day of the transaction. At the end of the reporting period, all monetary assets and liabilities will be translated using the exchange rate at the end of the reporting date. Meanwhile, non-monetary assets and liabilities measured at fair value will be retranslated using the exchange rate on the day of fair value evaluation, whereas non-monetary assets and liabilities measured at historical cost will not be translated.

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 and
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

(4) Cash and cash equivalents

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

(5) Financial assets

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

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 frame established by regulation or convention in the marketplace.

At initial recognition, all recognized financial assets that are within the scope of K-IFRS 1109 are classified as to be amortized cost, fair value through other comprehensive income ("FVTOCI") and FVTPL on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics 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.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at 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.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.
Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Company 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).
- The Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria 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 method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of 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 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 Company 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 or loss and is included in the "finance income - interest income" line item (see Note 19).

1-2) Debt instruments classified as at FVTOCI

The corporate bonds held by the Company are classified as at FVTOCI. Fair value is determined in the manner described in Note 26. 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 Company 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.

The Company designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see Note 5).

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 Company manages together and has evidence of a recent actual pattern of short-term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with K-IFRS 1109, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'operating income' line item (see Note 4) in profit or loss.

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. Specifically,

- investments in equity instruments are classified as at FVTPL, unless the Company 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) and
- 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. The Company has not designated any debt instruments as at FVTPL.

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 earned on the financial asset and is included in the 'operating income' line item (see Note 4). Meanwhile, interest income on financial assets at FVTPL is included in 'financial income - other' (see Note 19). Fair value is determined in the manner described in Note 26.

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 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 'other gains and losses' line item (see Note 19);
- 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 'other gains and losses' line item (see Note 19). As the foreign currency element recognized in profit or loss is the same as if it was measured at amortized cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is 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 'other gains and losses' line item as part of the fair value gain or loss (see Note 19); 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 Company 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 Company always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, 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.

For all other financial instruments, the Company recognizes lifetime ECL 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 Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.
Lifetime ECL represents 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 ECL 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 Company 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 Company 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 Company'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 Company'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, for example, 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;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- 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 assessment above, the Company 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 it has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company 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, and
(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 Company 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 Company 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 a financial guarantee contract, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company 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 Company considers the following as constituting an event of default for internal credit risk management purposes, as historical experience indicates that the financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor

Irrespective of the analysis above, the Company considers that default has occurred when a financial asset is more than 90 days past due, unless it has a 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:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (3-2) above);
(c) 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;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

3-4) Write-off policy

The Company 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, for example, 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 two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

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 guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Company'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 Company in accordance with the contract and all the cash flows that the Company 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 K-IFRS 1116 *Leases*. For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payment to reimburse the holder for a credit loss that it incurs, less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, it 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 Company 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 separate statements of financial position.

4) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, it 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 that the Company 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.

(6) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to its purchase or construction, which includes any costs directly attributable to bringing the asset to the location and the 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 an asset if it is probable that future economic benefits associated with the assets will flow to the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land and some tangible assets, and depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Buildings	25–50
Structures	25
Furniture, fixtures and vehicles	5–12

The Company reviews the depreciation method; the estimated useful lives; and residual values of property, plant 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 accounting estimate.

An item of property, plant 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.

(7) Investment property

Investment property held to earn rentals and/or for capital appreciation (including property under construction for such purposes) is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost, less accumulated depreciation and accumulated impairment losses.

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

Among the investment properties, land is not depreciated. However, investment properties other than land are depreciated over their useful lives of 25–50 years using the straight-line method. The depreciation method, residual value and useful lives of investment properties are reassessed or reviewed at the end of each annual reporting period, and any changes in them are treated as change in accounting estimates.

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.

(8) 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 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) Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. 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.

(9) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible 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 the 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 Company 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, or 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 the 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 a 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.

(10) Investment in subsidiaries, associates and joint ventures

In accordance with K-IFRS 1027, the Company's separate financial statements are financial statements that were prepared by the parent, or the investor with joint control of, or significant influence over, an investee, and where this parent, or investor, accounts for the investments at cost. The Company chose the cost method based on K-IFRS 1027 to report investments in subsidiaries, associates and joint ventures. Dividends obtained from subsidiaries, associates and joint ventures are recognized in profit or loss when the right to receive dividends is confirmed.

(11) Financial liabilities and equity instruments

1) Classification as debt or equity

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

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 Company are recognized when the proceeds are received, net of direct issue costs.

3) Financial liabilities

Financial liabilities are recognized in the Company's separate statements of financial position when the Company becomes a party to the contractual provisions of the instrument. 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 liabilities are added to, or deducted from, the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial liabilities are classified as either financial liabilities measured at FVTPL or other financial liabilities.

4) Financial liabilities measured at FVTPL

Financial liabilities are classified as financial liabilities measured at FVTPL when they are contingent consideration that may be paid by an acquirer as part of a business combination to which K-IFRS 1103 applies, or they are designated as financial liabilities measured at FVTPL.

5) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

6) Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with K-IFRS 1109 (see financial assets above) and
- the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with K-IFRS 1115 set out above.

7) Derecognition of financial liabilities

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

(12) Lease

1) The Company as lessee

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company 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 Company 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 Company 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 Company and the lease does not benefit from a guarantee from the Company.

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 separate 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.
The Company 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 rate or a change in expected payment under a guaranteed residual value, in which case, 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).
- 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 at 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 Company 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 IAS 37. 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 underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company 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 item in the separate statements of financial position.

The Company applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. (see Note 2. (9)).

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 the condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components, but to account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company 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 Company as lessor

Leases for which the Company 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 Company 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.

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.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company’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 Company’s net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Company regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of K-IFRS 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 Company applies K-IFRS 15 to allocate the consideration under the contract to each component.

(13) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(14) Employee benefits

For defined benefit retirement benefit 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 reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the separate statements of financial position, with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. 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, past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

The Company presents the service cost and net interest expense (income) components in profit or loss, and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the separate statements of financial position represents the actual deficit or surplus in the Company'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.

(15) Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount 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.

(16) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of value-added tax ("VAT"), returns, rebates and discounts. The Company recognizes revenue when it is reliably measurable and the inflows of future economic benefits are likely. For each type of sales, the Company recognizes revenue as follows:

1) Dividend income
Dividends are recognized as revenue when the right to dividends is determined.

2) Royalty revenue
Income from use of trademark rights is recognized on an accrual basis to reflect related contracts' economic substance.

3) Rental revenue
The Company recognizes revenue for real estate rent income according to passage of time.

4) Interest income
Interest income is recognized through passage of time by the effective interest rate method. When receivables are impaired, the book value of the receivable is reduced to collectible amount (future cash inflows discounted by initial effective interest rate of the financial asset) and increasing amount due to passage of time is recognized as interest income. Initial effective interest rate is used when recognizing interest income from such receivables.

(17) Income tax

Income tax expense consists of current tax and deferred tax.

1) Current tax payable

The current tax is computed based on the taxable profit for the year. The taxable profit differs from the profit for the period as reported in the separate statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Company's liability for current tax expense 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 judgement of tax professionals within the Company 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 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 that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

But 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 Company 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 that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences 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 that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset 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 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 Company 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 Company 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.

3) Recognition of current tax payable and deferred tax

Current and deferred taxes are recognized in profit or loss, except for those related to items other than profit or loss, such as other comprehensive income (loss) or items recognized directly in equity (current taxes and deferred taxes are both recognized in items other than profit or loss) of same or different accounting periods or items arising from initial accounting treatments of a business combination. For business combinations, income tax effects are considered when measuring goodwill or determining the Company's shares in fair value of acquiree's identifiable assets, liabilities and contingent liabilities that exceed cost of business combination.

(18) Treasury stock

When the Company repurchases its equity instruments ("treasury stock"), the incremental costs that increase in relation to capital transactions, net of tax effect, are deducted from the shareholders' equity and recognized as other capital items deducted from the total equity in the separate statements of financial position. In addition, profits or losses from purchase, sale or retirement of treasury stocks are directly recognized in shareholders' equity and not in current profit or loss.

(19) Fair Value

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 Company 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 separate financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102, *Share-Based Payment;* leasing transactions that are within the scope of K-IFRS 1017, *Leases;* and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS 1002, *Inventories,* or value in use in K-IFRS 1036, *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

• Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
• Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
• Level 3 inputs are unobservable inputs for the asset or liability

(20) Derivative financial instruments

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 case the timing of the recognition in profit or loss depends on the nature of the hedge 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 separate financial statements, unless the Company has both legally enforceable 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 due 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 K-IFRS 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 K-IFRS 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 contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or 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.

3. <u>SIGNIFICANT CONSIDERATION AND MAJOR SOURCES OF ESTIMATION UNCERTAINTIES:</u>

In the application of the Company'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 those 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) Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1) Defined Benefit Plan

The Company operates the defined benefit plan. Actuarial assumptions are the Company'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. At the end of this year, defined benefit liability of the plan is ₩33,498 million (prior year ₩34,053 million), as detailed in Note 12.

2) Impairment test

The recoverable amount of cash-generating unit to review the impairment is determined based on the calculation of value in use or fair value, less costs to sell. These calculations are based on future estimates.

4. SEGMENT INFORMATION:

The Company has only one operating segment in accordance with K-IFRS 1108, *Operating Segments,* from entire Company's perspective. Operating segment information for the years ended December 31, 2021 and 2020, is as follows:

(1) Operating income information (Unit: Korean won in millions)

Sectors	Year ended December 31, 2021		Year ended December 31, 2020	
Dividend revenue	₩	518,273	₩	614,506
Royalty revenue		340,801		271,372
Rent revenue		130,686		130,324
Total	₩	989,760	₩	1,016,202

(2) Regional information

The Company's operating income is all derived from domestic business, and all of its non-current assets are located at South Korea.

(3) Major client information

Operating income from major clients that cover more than 10% of operation income for the years ended December 31, 2021 and 2020, is ₩736,584 million and ₩647,002 million, respectively.

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE:

Carrying amount and fair value of financial assets and liabilities as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

(1) Financial assets

Financial assets	Account	December 31, 2021				December 31, 2020			
		Carrying amount		Fair value		Carrying amount		Fair value	
Cash and cash equivalents	Cash and cash equivalents	₩	210,756	₩	210,756	₩	472,495	₩	472,495
Financial assets measured at FVTPL	Equity investment		8,664		8,664		450		450
Financial assets measured at FVTOCI	Marketable equity securities		38,511		38,511		43,550		43,550
	Unmarketable equity securities		142,134		142,134		52,894		52,894
	Subtotal		180,645		180,645		96,444		96,444
Financial assets measured at amortized cost	Financial institution deposits		1,550,000		1,550,000		1,128,000		1,128,000
	Other accounts receivable		64,568		64,568		10,218		10,218
	Accrued income		5,258		5,258		3,809		3,809
	Deposits		505		505		5		5
	Subtotal		1,620,331		1,620,331		1,142,032		1,142,032
Total		₩	2,020,396	₩	2,020,396	₩	1,711,421	₩	1,711,421

(2) Financial liabilities

Financial liabilities	Account	December 31, 2021				December 31, 2020			
		Carrying amount		Fair value		Carrying amount		Fair value	
Financial assets measured at FVTPL	Derivative financial liabilities	₩	38,982	₩	38,982	₩	39,196	₩	39,196
Financial liabilities measured at amortized cost	Other accounts payable(*)		42,072		42,072		23,483		23,483
	Accrued dividends		400		400		377		377
	Deposits received		85,162		85,162		82,088		82,088
	Subtotal		127,634		127,634		105,948		105,948
Lease liabilities			1,012		1,012		1,122		1,122
Total		₩	167,628	₩	167,628	₩	146,266	₩	146,266

(*) Other accounts payable that do not correspond to financial liabilities are excluded.

6. CASH AND CASH EQUIVALENTS:

The cash and cash equivalents in the separate statements of cash flows are the same as the cash and cash equivalents in the separate statements of financial position. Details of cash and cash equivalents as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021		December 31, 2020	
Cash	₩	4	₩	3
Bank deposits		28		260,002
Other cash equivalents		210,724		212,490
Total	₩	210,756	₩	472,495

7. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES:

As of December 31, 2021 and 2020, accounts receivable and other receivables are not impaired or overdue. Details are as follows (Unit: Korean won in millions):

Description	December 31, 2021				December 31, 2020			
	Current		Non-current		Current		Non-current	
Other accounts receivable	₩	64,568	₩	-	₩	10,218	₩	-
Accrued income		5,258		-		3,809		-
Deposits		-		505		-		5
Total	₩	69,826	₩	505	₩	14,027	₩	5

(*) Accounts receivable and other receivables are measured as whole period ECLs in accordance with the K-IFRS 1109 at the end of the current term, and there is no additional loss allowance to be reflected accordingly.

8. OTHER ASSETS:

(1) Details of other current assets as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021	December 31, 2020
Prepaid expenses, etc.	₩ 817	₩ 1,264

(2) Details of other non-current assets as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021	December 31, 2020
Advance payments	₩ 2,775	₩ 1,851

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY:

(1) Changes in acquisition cost of property, plant and equipment and investment property for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2021								
	Property, plant and equipment					Investment property			
Description	Land	Buildings	Structures	Vehicles	Furniture and fixtures	Land	Buildings	Structures	Total
Beginning balance	₩12,530	₩23,178	₩ 427	₩17,723	₩ 10,817	₩442,448	₩ 588,781	₩ 9,367	₩1,105,271
Acquisition	-	77	-	625	1,137	-	1,428	-	3,267
Disposals	(53)	-	-	(251)	(77)	-	-	-	(381)
Transfers in	-	-	-	-	-	72	164	3	239
Transfers out	(72)	(164)	(3)	-	-	-	-	-	(239)
Ending balance	₩ 12,405	₩23,091	₩ 424	₩18,097	₩ 11,877	₩442,520	₩ 590,373	₩ 9,370	₩1,108,157

	Year ended December 31, 2020								
	Property, plant and equipment					Investment property			
Description	Land	Buildings	Structures	Vehicles	Furniture and fixtures	Land	Buildings	Structures	Total
Beginning balance	₩12,520	₩23,096	₩ 427	₩18,726	₩ 10,862	₩458,261	₩ 589,227	₩ 9,324	₩1,122,443
Acquisition	-	59	-	36	124	-	1,177	43	1,439
Disposals	-	-	-	(1,039)	-	-	-	-	(1,039)
Classification as assets held for sale	-	-	-	-	(159)	(15,803)	(1,600)	-	(17,562)
Classification as assets held for distribution to owners	-	-	-	-	(10)	-	-	-	(10)
Transfers in	10	23	-	-	-	-	-	-	33
Transfers out	-	-	-	-	-	(10)	(23)	-	(33)
Ending balance	₩ 12,530	₩23,178	₩ 427	₩17,723	₩ 10,817	₩442,448	₩ 588,781	₩ 9,367	₩1,105,271

(2) Changes in accumulated depreciation for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2021						
	Property, plant and equipment				Investment property		
Description	Buildings	Structures	Vehicles	Furniture and fixtures	Buildings	Structures	Total
Beginning balance	₩ 8,472	₩ 266	₩ 5,747	₩ 7,121	₩ 188,759	₩ 4,758	₩ 215,123
Disposals	-	-	(220)	(77)	-	-	(297)
Transfers in	-	-	-	-	58	2	60
Transfers out	(58)	(2)	-	-	-	-	(60)
Depreciation	791	15	1,588	930	19,527	326	23,177
Ending balance	₩ 9,205	₩ 279	₩ 7,115	₩ 7,974	₩ 208,344	₩ 5,086	₩ 238,003

Description	Property, plant and equipment: Buildings	Structures	Vehicles	Furniture and fixtures	Investment property: Buildings	Structures	Total
	Year ended December 31, 2020						
Beginning balance	₩ 7,669	₩ 250	₩ 5,004	₩ 6,314	₩ 169,521	₩ 4,424	₩ 193,182
Disposals	-	-	(942)	-	-	-	(942)
Removal due to classification as assets held for sale	-	-	-	(151)	(254)	-	(405)
Removal due to classification as assets held for distribution to owners	-	-	-	(6)	-	-	(6)
Transfers in	8	-	-	-	-	-	8
Transfers out	-	-	-	-	(8)	-	(8)
Depreciation	795	16	1,685	964	19,500	334	23,294
Ending balance	₩ 8,472	₩ 266	₩ 5,747	₩ 7,121	₩ 188,759	₩ 4,758	₩ 215,123

(*) It includes amounts classified as discontinued operating income and expenses in the current- and prior-year separate statements of income.

(3) Details of valuation with fair value of investment property as of December 31, 2021, are as follows (Unit: Korean won in millions):

Description	Date of revaluation	Land	Buildings and structures	Total
Book value of investment property:				
Book value (*1)		₩ 451,944	₩ 399,647	₩ 851,591
Result of valuation:				
Twin tower	2021-09-30	815,488	292,512	1,108,000
Gasandong building	2021-09-30	132,124	104,396	236,520
Gwanghwamun building	2021-09-30	332,444	101,556	434,000
Seoul-station building	2021-09-30	329,360	130,640	460,000
Total		₩ 1,609,416	₩ 629,104	₩ 2,238,520

(*1) It includes the valuation amounts related to its own use (Book value: ₩22,758 million).

Fair value assessment was performed by an independent third party, Nara Appraisal Co., Ltd.

The fair value of investment property is classified as Level 3, based on the input variables that are used in the valuation method.

The valuation method for measurement of fair value is the method of discounted cash flow, so the fair value of investment property is measured by the discounted present value that the net cash flow from the investment property is discounted by the discount rate of risk adjustment by reflecting the cost in relation to rental promotion, such as estimated success rate of rental market, vacant period, rental rate, free rental period and other costs that the lessee does not pay. Main input variables that are significant for measuring the fair value, but not observable, are estimated success rate of rental market, vacant rate, free rental period and discount rate of risk adjustment.

In addition, rental income related to investment property during this period is ₩130,686 million.

10. INTANGIBLE ASSETS:

(1) Composition of the Company's intangible assets as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	December 31, 2021			December 31, 2020		
	Intellectual property rights	Membership	Other	Intellectual property rights	Membership	Other
Acquisition cost	₩ 21,467	₩ 10,691	₩ 9,939	₩ 20,067	₩ 9,271	₩ 9,034
Accumulated depreciation	(14,306)	-	(7,237)	(12,998)	-	(6,483)
Accumulated impairment	-	(666)	-	-	(666)	-
Carrying amounts	₩ 7,161	₩ 10,025	₩ 2,702	₩ 7,069	₩ 8,605	₩ 2,551

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021			
	Intellectual property rights	Membership	Other	Total
Beginning balance	₩ 7,069	₩ 8,605	₩ 2,551	₩ 18,225
Acquisition	-	1,727	905	2,632
Disposal	(35)	(307)	-	(342)
Transfers in (out)	1,469	-	-	1,469
Amortization	(1,342)	-	(754)	(2,096)
Ending balance	₩ 7,161	₩ 10,025	₩ 2,702	₩ 19,888

Description	Year ended December 31, 2020			
	Intellectual property rights	Membership	Other	Total
Beginning balance	₩ 6,276	₩ 9,210	₩ 1,880	₩ 17,366
Acquisition	-	-	1,436	1,436
Disposal	-	(605)	-	(605)
Transfers in (out)	2,076	-	-	2,076
Amortization	(1,283)	-	(765)	(2,048)
Ending balance	₩ 7,069	₩ 8,605	₩ 2,551	₩ 18,225

11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES:

(1) Composition of the Company's investments in subsidiaries as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

	December 31, 2021						
Companies	Location of incorporation	Major operation	Closing date	Percentage of ownership (%)	Percentage of ownership (common stock) (%)	Book value	
LG CNS Co., Ltd. (*1)	South Korea	Services	12-31	49.95	49.95	₩	194,355
S&I Corporation Co., Ltd.	South Korea	Renting	12-31	100.00	100.00		250,054
LG Sports Ltd.	South Korea	Services	12-31	100.00	100.00		106,097
LG Management Development Institute	South Korea	Research and development	12-31	100.00	100.00		17,203
LG Holdings Japan Co., Ltd.	Japan	Renting	12-31	100.00	100.00		191,080
		Total				₩	758,789

	December 31, 2020						
Companies	Location of incorporation	Major operation	Closing date	Percentage of ownership (%)	Percentage of ownership (common stock) (%)	Book value	
LG CNS Co., Ltd. (*1)	South Korea	Services	12-31	49.95	49.95	₩	194,355
S&I Corporation Co., Ltd.	South Korea	Renting	12-31	100.00	100.00		250,054
LG Sports Ltd.	South Korea	Services	12-31	100.00	100.00		106,097
LG Management Development Institute	South Korea	Research and development	12-31	100.00	100.00		17,203
LG Holdings Japan Co., Ltd.	Japan	Renting	12-31	100.00	100.00		191,080
		Total				₩	758,789

(*1) Although it has had less than 50% of its shares by selling some of shares during the previous period, it is judged that it holds control in consideration of its power and exposure to variable returns or rights to the subsidiary.

(2) Composition of the Company's investments in associates and joint ventures as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Companies	Location of incorporation	Major operation	Closing date	Percentage of ownership (%)	Percentage of ownership (common stock) (%)	Book value
	December 31, 2021					
LGEI	South Korea	Manufacturing	12-31	30.47	33.67	₩ 2,804,603
LG Chem Ltd.	South Korea	Manufacturing	12-31	30.06	33.34	1,621,178
LX Hausys, Ltd. (*1)	South Korea	Manufacturing	12-31	-	-	-
LG Household & Health Care Ltd.	South Korea	Manufacturing	12-31	30.00	34.03	141,608
LG Uplus Corp.	South Korea	Telecommunications	12-31	37.66	37.66	1,252,052
GIIR Corporation	South Korea	Hoardings	12-31	35.00	35.00	39,496
LG Hitachi Co., Ltd.	South Korea	Services	12-31	49.00	49.00	6,954
LX MMA Corp. (*1)	South Korea	Manufacturing	12-31	-	-	-
LX Semicon Co., Ltd. (*1)	South Korea	Manufacturing	12-31	-	-	-
LX international Co., Ltd. (*1)	South Korea	Commodities brokerage	12-31	-	-	-
ZKW Holding GmbH (*2)	Austria	Manufacturing	12-31	30.00	30.00	160,226
ZKW Austria Immobilien Holding GmbH	Austria	Manufacturing	12-31	30.00	30.00	8,758
		Total				₩ 6,034,875

Companies	Location of incorporation	Major operation	Closing date	Percentage of ownership (%)	Percentage of ownership (common stock) (%)	Book value
	December 31, 2020					
LGEI	South Korea	Manufacturing	12-31	30.47	33.67	₩ 2,804,603
LG Chem Ltd.	South Korea	Manufacturing	12-31	30.06	33.34	1,621,178
LG Hausys, Ltd. (*1)	South Korea	Manufacturing	12-31	30.07	33.53	183,828
LG Household & Health Care Ltd.	South Korea	Manufacturing	12-31	30.00	34.03	141,608
LG Uplus Corp.	South Korea	Telecommunications	12-31	37,66	37,66	1,252,052
GIIR Corporation	South Korea	Hoardings	12-31	35.00	35.00	39,496
LG Hitachi Co., Ltd.	South Korea	Services	12-31	49.00	49.00	6,954
LG MMA Corp. (*1)	South Korea	Manufacturing	12-31	50.00	50.00	115,350
Silicon Works Co., Ltd. (*1)	South Korea	Manufacturing	12-31	33.08	33.08	145,004
LG international Co., Ltd. (*1)	South Korea	Commodities brokerage	12-31	24.69	24.69	296,741
ZKW Holding GmbH	Austria	Manufacturing	12-31	30.00	30.00	376,358
ZKW Austria Immobilien Holding GmbH	Austria	Manufacturing	12-31	30.00	30.00	15,289
		Total				₩ 6,998,461

(*1) During the current period, it was succeeded to LX Holdings, newly established corporation from spin-off, and as of the end of the previous period, it was classified as assets held for distribution to owners in the separate statements of financial position.

(*2) During the current year, signs of impairment for ZKW Holding GmbH and ZKW Austria Immobilien Holding GmbH were identified, and an impairment loss of KRW 216,132 million and KRW 6,531 million was recognized as a result of reviewing the recoverable value. The recoverable value was determined based on the utility value, and it is affected by changes of major assumptions, such as a permanent growth rate of 2% and a discount rate of 10.89% to 12.89% after five years applied when using the future cash flow discount technique.

12. RETIREMENT BENEFIT PLAN:

The Company operates a defined benefit plan for its employees, and according to the plan, the employees will be paid his or her average salary amount of the final three months multiplied by the number of years vested, adjusted for payment rate and other. The actuarial valuation of plan assets and the defined benefit liability is performed by Aon Hewitt, which is a reputable actuary, using the projected unit credit method.

(1) As of December 31, 2021 and 2020, amounts recognized in the separate statements of financial position related to retirement benefit obligation are as follows (Unit: Korean won in millions):

Description	December 31, 2021	December 31, 2020
Present value of defined benefit obligation	₩ 33,498	₩ 34,053
Fair value of plan assets	(33,238)	(29,179)
Net defined benefit liability	₩ 260	₩ 4,874

(2) Changes in defined benefit obligation for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021	Year ended December 31, 2020
Beginning balance	₩ 34,053	₩ 30,683
Current service cost	4,762	4,536
Interest cost	743	663
Remeasurement on the net defined benefit liability	2,099	394
Benefits paid	(1,465)	(900)
Classification as liabilities held for distribution to owners	(2,233)	(548)
Other	(4,461)	(775)
Ending balance	₩ 33,498	₩ 34,053

(3) Income and loss related to defined benefit plan for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021	Year ended December 31, 2020
Service cost	₩ 4,762	₩ 4,536
Current service cost	4,762	4,536
Net interest on the net defined benefit liability (asset)	110	146
Interest cost on defined benefit obligation	743	663
Comprising interest on plan assets	(633)	(517)
Operational management fee on plan assets	48	42
Total	₩ 4,920	₩ 4,724

(*) It includes amounts classified as discontinued operating income and expenses in the current- and prior-year separate statements of income.

(4) Changes in plan assets for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Beginning balance	₩	29,179	₩	24,780
Comprising interest on plan assets		633		517
Remeasurement return on plan assets		(120)		(6)
Benefits paid		(1,465)		(900)
Contributions from the employer		5,700		5,300
Operational management fee on plan assets		(48)		(42)
Classification as liabilities held for distribution to owners		(641)		(470)
Ending balance	₩	33,238	₩	29,179

(5) All of the plan assets are mainly invested in financial instruments that guarantee principal and interest rate as of December 31, 2021 and 2020.

(6) Actuarial assumptions used as of December 31, 2021 and 2020, are as follows:

Description	December 31, 2021	December 31, 2020
Discount rate (%)	2.75	2.22
Expected rate of salary increase (%)	5.84	5.18

(7) The sensitivity analysis of the defined benefit obligation as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2021					
Description	Center scenario		+ 1%		- 1%	
Change in discount rate	₩	33,498	₩	30,910	₩	36,484
Change in rate of salary increase		33,498		36,360		30,958

(*) The above sensitivity is estimated based on the assumption that not all the assumptions will change, except for discount rate and rate of salary increase.

	Year ended December 31, 2020					
Description	Center scenario		+ 1%		- 1%	
Change in discount rate	₩	34,053	₩	31,239	₩	37,311
Change in rate of salary increase		34,053		37,185		31,286

(*) The above sensitivity is estimated based on the assumption that not all the assumptions will change, except for discount rate and rate of salary increase.

(8) Remeasurement related to net defined benefit liability for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021	Year ended December 31, 2020
Actuarial gains arising from changes in demographic assumptions	₩ (160)	₩ 113
Actuarial gains (losses) arising from changes in financial assumptions	755	(397)
Actuarial gains arising from experience	4,733	929
Return on plan assets, excluding amounts included in interest income	120	6
Actuarial gains (losses) arising from transfer in/out adjustment	(3,229)	(251)
Total	₩ 2,219	₩ 400

Meanwhile, the Company deducted ₩537 million arising from income tax effect for actuarial gain (loss) during the current period.

(9) Estimated contribution that will be paid in the next fiscal year is as follows (Unit: Korean won in millions):

	2022
Estimated contributions to plan assets	₩ 5,530

13. OTHER LIABILITIES:

Other liabilities as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	December 31, 2021		December 31, 2020	
Description	Current	Non-current	Current	Non-current
Advances from lease	₩ -	₩ 4,069	₩ -	₩ 4,478
VAT withheld	5,023	-	5,391	-
Withholdings	810	-	13,128	-
Total	₩ 5,833	₩ 4,069	₩ 18,519	₩ 4,478

14. ISSUED CAPITAL AND OTHER CAPITAL ITEMS:

(1) Details of issued capital as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2021				
Type of stock	Number of authorized shares	Number of issued shares (*2)	Number of shares owned by related party	Par value (in Korean won)	Amount of issued capital
Common stock	700,000,000	157,300,993	65,598,735	₩ 5,000	₩ 786,505
Preferred stock (*1)	-	3,021,620	-	5,000	15,108

	Year ended December 31, 2020				
Type of stock	Number of authorized shares	Number of issued shares	Number of shares owned by related party	Par value (in Korean won)	Amount of issued capital
Common stock	700,000,000	172,557,131	79,483,774	₩ 5,000	₩ 862,786
Preferred stock (*1)	-	3,314,677	-	5,000	16,573

(*1) Preferred stocks are stocks without voting rights that are eligible for additional 1% based on face value of the stock compared to common stocks when receiving cash dividends. In case of no dividend payout, it is granted voting rights for the period from the shareholders' meeting that resolved not to pay to the shareholders to the meeting that resolved to pay dividends.
(*2) In the current year, it was decreased due to spin-off.

The Company has 49,828 shares of common stock and 10,421 shares of preferred stock and the carrying amounts of common stock and preferred stock are ₩5,406 million and ₩754 million, respectively, as of December 31, 2021. The Company had 93,789 shares of common stock and 6,810 shares of preferred stock and the carrying amounts of common stock and preferred stock are ₩2,334 million and ₩51 million, respectively, as of December 31, 2020.

(2) Changes in other capital items for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	2021	2020
Beginning balance	₩ (2,385)	₩ (2,385)
Disposition of treasury stock	2,385	-
Losses on capital reduction by spin-off	(1,563,355)	-
Acquisition of treasury stock	(6,160)	-
Ending balance	₩ (1,569,515)	₩ (2,385)

15. CAPITAL SURPLUS:

Composition of the Company's capital surplus as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	December 31, 2021	December 31, 2020
Paid-up capital in excess of par value	₩ 898,266	₩ 898,266
Assets' revaluation reserves	338,100	338,100
Other capital surplus	1,177,210	1,172,636
Total	₩ 2,413,576	₩ 2,409,002

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

(1) Composition of accumulated other comprehensive income (loss) as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	December 31, 2021		December 31, 2020	
Gain on valuation of other financial assets	₩	23,965	₩	35,940

(2) Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	2021		2020	
Beginning balance	₩	35,940	₩	37,074
Changes in valuation of other financial assets		(15,798)		(1,496)
Related income tax		3,823		362
Ending balance	₩	23,965	₩	35,940

17. RETAINED EARNINGS AND DIVIDENDS:

(1) Composition of retained earnings as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	December 31, 2021		December 31, 2020	
Retained earnings restricted to appropriation (*)	₩	419,963	₩	376,004
Retained earnings subject to appropriation		7,320,655		6,571,877
Total	₩	7,740,618	₩	6,947,881

(*) According to the commercial law, more than 10% of the monetary dividend is set aside as legal reserve at each settlement period until it reaches 50% of the paid-in capital. But as of the end of the reporting period, the company's legal reserve exceeds 50% of the paid-in capital, so there is no obligation to set aside additional amount.

(2) Changes in retained earnings for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	2021		2020	
Beginning balance	₩	6,947,881	₩	6,003,695
Profit for the year		1,234,012		1,331,351
Dividends		(439,593)		(386,862)
Remeasurement on the net defined benefit liability		(1,682)		(303)
Ending balance	₩	7,740,618	₩	6,947,881

(3) Separate statements of appropriation of retained earnings for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	Korean won	
	Year ended December 31, 2021	Year ended December 31, 2020
UNAPPROPRIATED RETAINED EARNINGS:		
Unappropriated retained earnings carried over from prior year	₩ -	₩ -
Profit for the year	1,234,012	1,331,351
Actuarial gains and losses on defined benefit plans	(1,682)	(303)
	1,232,330	1,331,048
APPROPRIATION:		
Legal reserve	-	43,959
Dividends	448,885	439,593
Other reserve	783,445	847,496
	1,232,330	1,331,048
UNAPPROPRIATED RETAINED EARNINGS CARRIED FORWARD TO SUBSEQUENT YEAR	₩ -	₩ -

(4) The amount of dividends and dividends per share for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

	December 31, 2021				
Type of stock	Number of issued shares	Number of treasury stocks	Number of stocks eligible for dividend	Dividend per share (Korean won)	Total dividend
Common stock	172,557,131	93,789	172,463,342	₩ 2,500	₩ 431,158
Preferred stock	3,314,677	6,810	3,307,867	2,550	8,435

	December 31, 2020				
Type of stock	Number of issued shares	Number of treasury stocks	Number of stocks eligible for dividend	Dividend per share (Korean won)	Total dividend
Common stock	172,557,131	93,789	172,463,342	₩ 2,200	₩ 379,419
Preferred stock	3,314,677	6,810	3,307,867	2,250	7,443

18. OPERATING INCOME:

Operating income for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

	Year ended December 31, 2021		Year ended December 31, 2020	
Operating income:				
Dividends revenue	₩	518,273	₩	614,506
Royalties revenue		340,801		271,372
Rental revenue		130,686		130,324
		989,760		1,016,202
Operating expenses:				
Employee benefit:				
Salaries and wages		53,943		41,087
Severance benefits		4,739		4,282
Welfare		4,893		3,787
		63,575		49,156
Depreciation:		23,758		23,619
Other operating expenses:				
Amortization of intangible assets		2,074		1,983
Taxes and dues		9,133		8,026
Advertising expenses		80,920		78,216
Training expenses		1,298		963
Commission		50,227		42,732
Insurance premium		375		923
Operating lease expense		201		173
Other selling and administrative expenses		17,826		16,388
		162,054		149,404
Net operating income	₩	740,373	₩	794,023

19. FINANCIAL INCOME AND FINANCIAL EXPENSES:

(1) Financial income for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Interest income	₩	16,445	₩	14,523
Gain on financial warranty		58		230
Gain on foreign currency transaction and translation		10		525
Gains on valuation of derivatives		213		-
Gain on disposals of other financial assets		-		425
Total	₩	16,726	₩	15,703

(2) Financial income consists of interest income, the details of which, for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Financial assets measured at amortized cost (*)	₩	16,445	₩	14,523

(*) Interest income from cash and cash equivalents is included.

(3) Financial expenses for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Interest expense	₩	429	₩	408
Loss on foreign currency transaction and translation		5		112
Total	₩	434	₩	520

(4) Financial expenses consist of interest expense, the details of which, for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Financial liabilities measured at amortized cost	₩	410	₩	383
Lease liabilities		19		25
Total	₩	429	₩	408

(5) Net gain (loss) from financial instruments for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Financial assets:				
Other financial assets (*1)	₩	(14,905)	₩	(108)
Financial assets measured at amortized cost (*2)		16,446		14,944
Subtotal		1,541		14,836
Financial liabilities:				
Financial liabilities measured at amortized cost		(406)		(391)
Other financial liabilities		(19)		(25)
Subtotal		(425)		(416)
Total	₩	1,116	₩	14,420

(*1) It includes dividend income and valuation gain or loss recognized in other comprehensive income.
(*2) It includes net income (loss) incurred from cash and cash equivalents and financial institution deposits.

20. INCOME TAX:

(1) Composition of income tax expense for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Current income tax payable	₩	76,159	₩	313,662
Adjustment for prior corporate taxes		1,546		4,708
Changes in deferred tax assets:		8,981		(23,293)
Beginning deferred tax assets due to temporary differences		(63,667)		(68,764)
Beginning deferred assets as held for sale due to temporary differences		-		(19,358)
Ending deferred tax assets due to temporary differences		(66,510)		(64,370)
Ending assets held for sale due to temporary differences		-		-
Deferred taxes directly reflected in equity		4,360		459
Deferred taxes from spin-off		1,778		-
Taxes directly reflected in equity		(1,460)		-
Income tax expense	₩	85,226	₩	295,077

(*) It includes amounts classified as discontinued operating income and expenses in the current- and prior-year separate statements of income.

(2) A reconciliation between accounting income before income tax and income tax expense of the Company for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Income before income tax expense	₩	1,319,238	₩	1,626,428
Tax expense calculated on book income		352,429		436,906
Adjustments:		(267,203)		(141,829)
Non-taxable income		(338,541)		(167,044)
Non-deductible expenses		62,775		11,165
Adjustment for prior corporate taxes		1,546		4,708
Others (differences due to the tax rates, etc.)		7,017		9,342
Income tax expense	₩	85,226	₩	295,077

(3) Income tax directly reflected in equity for the years ended December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Revaluation of other financial assets	₩	3,823	₩	362
Remeasurement of defined benefit obligation		537		97
Total deferred tax directly reflected in equity	₩	4,360	₩	459

(4) Changes in deferred tax assets (liabilities) for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021									
	Beginning balance (*1)		Reflected in income (loss)		Reflected in equity		Replaced		Ending Balance	
Temporary differences:										
Investments in subsidiaries and associates	₩	(71,083)	₩	-	₩	-	₩	2,235	₩	(68,848)
Property, plant and equipment		18,869		1,731		-		-		20,600
Intangible assets		161		-		-		-		161
Other financial assets		(6,437)		94		3,823		-		(2,520)
Provisions		1,025		(1,063)		537		(371)		128
Other financial liabilities		3,431		1,596		-		(86)		4,941
Others		(9,633)		(11,339)		-		-		(20,972)
Deferred tax assets (liabilities)	₩	(63,667)	₩	(8,981)	₩	4,360	₩	1,778	₩	(66,510)

Description	Year ended December 31, 2020									
	Beginning balance (*1)		Reflected in income (loss)		Reflected in equity		Replaced		Ending balance (*2)	
Temporary differences:										
Investments in subsidiaries and associates	₩	(71,425)	₩	19,700	₩	-	₩	(19,358)	₩	(71,083)
Property, plant and equipment		16,444		1,764		-		-		18,208
Intangible assets		161		-		-		-		161
Other financial assets		(6,799)		-		362		-		(6,437)
Provisions		1,124		(196)		97		-		1,025
Other financial liabilities		2,648		783		-		-		3,431
Others		(10,917)		1,242		-		-		(9,675)
Deferred tax assets (liabilities)	₩	(68,764)	₩	23,293	₩	459	₩	(19,358)	₩	(64,370)

(*1) The opening balance includes the difference between the previous year's settlement adjustments.
(*2) The ending balance includes amounts classified as liabilities held for distribution to owners in the separate statements of financial position.

(5) As of December 31, 2021, temporary differences not recognized as deferred tax assets (liabilities) related to investment asset and equity interest are as follows (Unit: Korean won in millions):

Description	December 31, 2021	
Investments in subsidiaries	₩	(326,267)
Investments in associates and joint ventures		1,747,855
Total	₩	1,421,588

21. EARNINGS PER SHARE:

(1) Net income per share for the years ended December 31, 2021 and 2020, is as follows:

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Basic earnings per share of common share				
Continuing operation	₩	2,826	₩	7,392
Discontinued operations		4,631		181
Total	₩	7,457	₩	7,573
Basic earnings per share of Pre-1996 Commercial Law Amendment preferred share (*)				
Continuing operation	₩	2,876	₩	7,442
Discontinued operations		4,631		181
Total	₩	7,507	₩	7,623

(*) Basic earnings per share are calculated for preferred share, which K-IFRS 1033 *Earnings per Share* clarify as common share, such as having no priority rights for dividend of profit and distribution of residual property.

(2) Net income and weighted-average number of shares used to calculate earnings per share of common share for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Profit for the year attributable to owners of the Company	₩	1,234,012	₩	1,331,351
Less dividends for Pre-1996 Commercial Law Amendment preferred share and preferred stock portion of residual profit		(23,361)		(25,217)
Net income used to calculate basic earnings per share of common share		1,210,651		1,306,134
Continuing operating profit used to calculate basic earnings per share of common share of continuing operating		458,845		1,274,859
Discontinued operating profit used to calculate basic earnings per share of common share of discontinued operating		751,806		31,275
Weighted-average number of common shares		162,348,495 shares		172,463,342 shares

(3) Net income and weighted-average number of shares used to calculate earnings per share of Pre-1996 Commercial Law Amendment preferred share for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Dividends for preferred share and preferred stock portion of residual profit	₩	23,361	₩	25,217
Net income used to calculate basic earnings per share of preferred share		23,361		25,217
Continuing operating profit used to calculate basic earnings per share of preferred share of continuing operating		8,951		24,617
Discontinued operating profit used to calculate basic earnings per share of preferred share of discontinued operating		14,410		600
Weighted-average number of preferred shares		3,111,860 shares		3,307,867 shares

(4) As there are no potential common shares of the Company, diluted earnings per share of common shares and preferred shares are equal to basic earnings per share.

22. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of December 31, 2021 and 2020, are as follows:

December 31, 2021			
Companies with direct ownership	Companies with direct ownership's subsidiaries (domestic) (*1)	Companies with direct ownership's subsidiaries (overseas) (*1)	Companies with direct ownership's associates
Subsidiaries:			
LG CNS Co., Ltd.	Biztechpartners Co., Ltd.	LG CNS China, Inc. and 13 others	T-money Co., Ltd
	Haengbokmaru Co., Ltd.		Songdo U-Life LLC.
	Open Source Consulting Co., Ltd		T-money CSP Co., Ltd
	Right Brain Co., Ltd. (*2)		U Life Solutions
			Songdo International Sports Club LLC.
			Daegu clean energy Co., Ltd.
			SMDep Co., Ltd.
			Cloudgram Co., Ltd.
			Korea DRD Co., Ltd.
			HEMPKING Co., Ltd.
			Danbee INC Co., Ltd.
			Recaudo Bogota S.A.S.
			T-money Asia sdn bhd
			Hellas SmarTicket Societe Anonyme
			Ulaanbaatar Smart card Co, LLC
S&I Corporation Co., Ltd.	Konjiam Yewon Co., Ltd.	S&I Vietnam Construction Co., Ltd. and 2 Others	Dongnam Solar Energy Co., Ltd.
	Mirae M Co., Ltd.	S&I CM NANJING and 2 others	Serveone Co., Ltd.
	Dream nuri Co., Ltd.		SERVEONE(Nanjing).Co., LTD
	S&I CM Co., Ltd.		SERVEONE(Guangzhou) Co., Ltd
			SERVEONE VIETNAM Co., Ltd
	S&I Construction Co., Ltd. (*3)		Serveone Europe Sp. z o.o.
	S&I atxpert Co., Ltd. (*3)		SERVEONE MRO INDONESIA
			PT ARJUNA SEJAHTERA MAKMUR
			SERVONE AMERICA. INC (*4)
LG Management Development Institute			
LG Sports Ltd.			
LG Holdings Japan Co., Ltd.			
Associates:			
LGEI	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others	
	Hi-M Solutec Co., Ltd.		
	HITeleservice Co., Ltd.		
	Ace R&D Co., Ltd.		
	LG innotek Co., Ltd.		
	Innowith Co., Ltd.		
	Hanuri Co., Ltd.		
	ZKW Lighting Systems		
	HiCare Solution Co., Ltd. (*5)		
	LG Magna e-Powertrain Co., Ltd. (*6)		
LG Chem Ltd.	Haengboknuri Co., Ltd.	LG Chem America, Inc. and others	
	LGBCM(*7)		
	FarmHannong Co., Ltd.		
	LG Energy Solution. Co., Ltd.		
	Areumnuri Co. Ltd. (*8)		

December 31, 2021

Companies with direct ownership	Companies with direct ownership's subsidiaries (domestic) (*1)	Companies with direct ownership's subsidiaries (overseas) (*1)	Companies with direct ownership's associates
LG Uplus Corp.	CS Leader	DACOM America Inc. and others	
	Ain Teleservice		
	With U Co., Ltd.		
	LG Hello Vision Co., Ltd.		
	Uplus Home Service Co., Ltd.		
	CV Partners Co., Ltd.		
	Murex wave active senior Fund(*9)		
	MEDIA LOG Co., Ltd.		
	CS One Partner		
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.	Beijing LG Household Chemical Co., Ltd. and others	
	Hankook Beverage Co., Ltd.		
	HAITAI HTB Co., Ltd.		
	FMG Co., Ltd.		
	Balkeunnuri Co., Ltd.		
	LG Farouk Co.		
	Mizen Story Co., Ltd		
	TAI GUK PHARM Co., Ltd.		
	Ulleung Mountain Chu Spring Water Development Company		
	Rucipello KOREA Co., Ltd		
	LOA Korea Co., Ltd		
	Gounnuri Co., Ltd. (*10)		
GIIR Corporation	HS Ad Co., Ltd.	GIIR America Inc. and others	
	L. Best		
LG Hitachi Co., Ltd.			
ZKW Holding GmbH	ZKW Lighting Systems Korea Co., Ltd	ZKW Group GmbH and others	
ZKW Austria Immobilien Holding GmbH		ZKW Austria Immobilien GmbH	
Other related parties' affiliates by the Act (*13)			
LG Display Co., Ltd.	Nanummnuri Co., Ltd	LG Display Nanjing Co. Ltd. and others.	
Robostar Co., Ltd.		ROBOSTAR (SHANGHAI) CO., LTD.	
SEETEC Co., Ltd.			
DACOM Crossing Corporation			
LX Holdings Co., Ltd. (*11)			
LX Hausys, Co., Ltd. (*12)	Greennuri Co. Ltd.	LX Hausys America,Inc. and others	
LX Semicon Co., Ltd. (*12)		LX Semicon U.S.A. Inc. and others.	
LX International Corp. (*12)	Dangjin Tank Terminal Co., Ltd.	LX International (America) Inc. and others.	
	LX Pantos Co., Ltd. (*12)		
	Pantos Busan Newport Logistics Center Co., Ltd.		
	Helistar Air Co., Ltd.		
	Hanultari Co., Ltd.		
LX MMA Corp. (*12)			

(*1) Joint ventures of associates are excluded.
(*2) It was classified as affiliates of LG CNS Co., Ltd. due to the acquisition of shares during the current year.
(*3) During the current year, it was established through dropdown by S&I Corporation Co., Ltd.
(*4) It was established as subsidiary of Serveone Co., Ltd. during the current year.
(*5) During the current year, it was established through spin-off by Hi-M Solutec Co., Ltd.
(*6) It was established as subsidiary of LGEI during the current year.
(*7) It was established as subsidiary of LG Chem Ltd. during the current year.
(*8) It was established as subsidiary of LG Energy Solution. Co., Ltd. during the current year.
(*9) It was established as subsidiary of LG Uplus Corp. during the current year.

(*10) It was established as subsidiary of Coca-Cola Beverage Co. during the current year.
(*11) During the current year, it was established through spin-off by LG Corp.
(*12) It is an associate of LX Holdings Co., Ltd., newly established through spin-off by LG Corp during current year. LG Hausys, Ltd., Silicon Works Co., Ltd, LG International Corp., LG MMA Corp. and Pantos Logistics Co., Ltd. changed name of company to LX Hausys, Co., Ltd., LX Semicon Co., Ltd., LX International Corp., LX MMA Corp., LX Pantos Co., Ltd., respectively, as of July 1.
(*13) These companies are not related parties defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

December 31, 2020

Companies with direct ownership	Companies with direct ownership's subsidiaries (domestic) (*1)	Companies with direct ownership's subsidiaries (overseas) (*1)	Companies with direct ownership's associates
Subsidiaries:			
LG CNS Co., Ltd.	Biztechpartners Co., Ltd.	LG CNS China, Inc. and 13 others	T-money Co., Ltd.
	Haengbokmaru Co., Ltd.		Songdo U-Life LLC.
	Open Source Consulting Co., Ltd		T-money CSP Co., Ltd.
	Sejong Green Power Co., Ltd(*2)		U Life Solutions
			Songdo International Sports Club LLC.
			Daegu clean energy Co., Ltd.
			SMDep Co., Ltd.
			Ulleungdo Natural Energy Independent Island Co., Ltd(*3)
			Cloudgram Co., Ltd. (*4)
			Korea DRD Co., Ltd. (*4)
			HEMPKING Co., Ltd. (*4)
			Danbee INC Co., Ltd. (*5)
			Recaudo Bogota S.A.S.
			T-money Asia sdn bhd
			Hellas SmarTicket Societe Anonyme
			Ulaanbaatar Smart card Co, LLC
S&I Corporation Co., Ltd.	Konjiam Yewon Co., Ltd.	S&I Vietnam Construction Co., Ltd. and 2 Others	Dongnam Solar Energy Co., Ltd.
	Mirae M Co., Ltd.	S&I CM NANJING and 2 others	Serveone Co., Ltd.
	Dream nuri Co., Ltd.		SERVEONE(Nanjing).Co., Ltd.
	S&I CM		SERVEONE(Guangzhou).Co., Ltd.
			SERVEONE VIETNAM Co., Ltd.
			Serveone Europe Sp. z o.o.
			SERVEONE MRO INDONESIA(*6)
			PT ARJUNA SEJAHTERA MAKMUR(*6)
LG Management Development Institute			
LG Sports Ltd.			
LG Holdings Japan Co., Ltd.			Combustion Synthesis Co., LTD.(*2)
Associates:			
LGEI	Hi Plaza Inc.	LG Electronics Mexico S.A. DE C.V. and others	
	Hi-M Solutec Co., Ltd.		
	HITeleservice Co., Ltd.		
	Ace R&D Co., Ltd.		
	LG innotek Co., Ltd.		
	Innowith Co., Ltd.		
	Hanuri Co., Ltd.		
	LG innotek Alliance Fund (*3)		

December 31, 2020			
Companies with direct ownership	Companies with direct ownership's subsidiaries (domestic) (*1)	Companies with direct ownership's subsidiaries (overseas) (*1)	Companies with direct ownership's associates
	ZKW Lighting Systems		
LG Chem Ltd.	Haengboknuri Co., Ltd.	LG Chem America, Inc. and others	
	FarmHannong Co., Ltd.		
	Ugimagkorea Co., Ltd. (*2)		
	LG Energy Solution. Co., Ltd. (*7)		
LG Hausys, Ltd.	Greennuri Co. Ltd.	LG Hausys America, Inc. and others	
LG Uplus Corp.	CS Leader	DACOM America Inc.	
	Ain Teleservice		
	CS One Partner		
	MEDIA LOG Co., Ltd.		
	With U Co., Ltd.		
	LG Hello Vision Co., Ltd.(*8)		
	Uplus Home Service Co., Ltd.(*9)		
	CV Partners Co., Ltd. (*10)		
LG Household & Health Care Ltd.	Coca-Cola Beverage Co.	Beijing LG Household Chemical Co., Ltd. and others	
	Hankook Beverage Co., Ltd.		
	HAITAI HTB Co., Ltd.		
	FMG Co., Ltd.		
	Balkeunnuri Co., Ltd.		
	LG Farouk Co.		
	Mizen Story Co., Ltd		
	TAI GUK PHARM Co., Ltd.		
	Ulleung Mountain Chu Spring Water Development Company		
	Rucipello KOREA Co., Ltd.		
	LOA Korea Co., Ltd. (*11)		
GIIR Corporation	HS Ad Co., Ltd.	GIIR America Inc. and others	
	L. Best		
LG Hitachi Co., Ltd.			
Silicon Works Co., Ltd.		Silicon Works Inc. and others	
LG International Corp.	Dangjin Tank Terminal Co., Ltd.	LG International (America) Inc. and others	
	Pantos Logistics Co., Ltd.		
	Pantos Busan Newport Logistics Center Co., Ltd.		
	Helistar Air Co., Ltd.		
	Hanultari Co., Ltd.		
ZKW Holding GmbH	ZKW Lighting Systems(*5)	ZKW Group GmbH and others	
ZKW Austria Immobilien Holding GmbH		ZKW Austria Immobilien GmbH	
Joint ventures:			
LG MMA Corp.			
Other related parties' affiliates by the Act (*12)			
LG Display Co., Ltd.	Nanummnuri Co., Ltd.	LG Display Nanjing Co. Ltd. and others.	
SEETEC Co., Ltd.			
Clean Soul Ltd. (*3)			
DACOM Crossing Corporation			
Robostar Co., Ltd.	Robomedi Co., Ltd. (*3)	ROBOSTAR (SHANGHAI) CO., Ltd. and others.	

(*1) Joint ventures of associates are excluded.
(*2) It was sold during the current year.
(*3) It was liquidated during the current year.
(*4) It was classified as affiliates of LG CNS Co., Ltd. due to the acquisition of shares during the prior year.
(*5) As redeemable convertible preferred stocks were converted to common stocks during the prior period, they were classified as affiliates of LG CNS Co., Ltd.
(*6) It was established as subsidiary of Serveone Co., Ltd. during the prior year.

(*7) During the prior year, it was established through a physical division by LG Chem Ltd.
(*8) During the prior year, Hana Broadcasting Co., Ltd. was merged.
(*9) With stock acquisition during the prior period, it was classified as a subsidiary of LG Uplus Corp.
(*10) With stock acquisition during the prior period, it was classified as a subsidiary of LG Hello Vision Co., Ltd.
(*11) With stock acquisition during the prior period, it was classified as a subsidiary of LG Household & Health Care Ltd.
(*12) These companies are not related parties defined in paragraph 9 of K-IFRS 1024. However, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

(2) Major transactions with the related parties for the years ended December 31, 2021 and 2020, are as follows: (Unit: Korean won in millions):

	December 31, 2021		
	Revenue and others	Acquisition of assets	Other purchase
Subsidiaries:			
LG CNS Co., Ltd.	₩ 52,183	₩ 995	₩ 3,732
Biztechpartners Co., Ltd.	-	-	47
S&I Corporation Co., Ltd. (*1)	11,604	454	31,666
S&I atxpert Co., Ltd.	5	783	13,360
LG Management Development Institute	3,452	-	1,490
LG Sports Ltd.	156	-	13,630
LG Holdings Japan Co., Ltd.	62	-	-
Associates and subsidiaries:			
LGEI (*2)	256,449	18	538
LG Chem Ltd. (*2)	336,917	-	12
LX Hausys, Ltd.	5,473	-	-
LG Household & Health Care Ltd. (*2)	78,115	-	2
LG Uplus Corp. (*2)	143,218	-	926
GIIR Corporation (*2)	3,002	-	14,608
LX Semicon Co., Ltd.	7,264	-	-
LG Hitachi Co., Ltd.	108	-	-
LG International Corp. (*2)	8,556	-	3
Joint ventures:			
LX MMA Corp	24,802	-	-
Other related parties' affiliates by the Act: (*3)			
LG display Co., Ltd.	68,420	-	-
LX Holdings Co., Ltd. and others	18,412	567	-
Total	₩ 1,018,198	₩ 2,817	₩ 80,014

	December 31, 2020		
	Revenue and others	Acquisition of assets	Other purchase
Subsidiaries:			
LG CNS Co., Ltd.	₩ 97,801	₩ 1,500	₩ 4,120
Biztechpartners Co., Ltd.	-	-	47
S&I Corporation Co., Ltd. (*1)	318,189	1,296	42,086
LG Management Development Institute	2,578	-	848
LG Sports Ltd.	85	-	15,230
LG Holdings Japan Co., Ltd.	249	-	-
Associates and subsidiaries:			
LGEI (*2)	204,103	-	401
LG Chem Ltd. (*2)	124,710	-	14
LG Hausys, Ltd.	13,507	-	-
LG Household & Health Care Ltd. (*2)	75,728	-	324
LG Uplus Corp. (*2)	97,894	-	128
GIIR Corporation (*2)	3,211	-	13,181
Silicon Works Co., Ltd.	4,466	-	-
LG Hitachi Co., Ltd.	102	-	-
LG International Corp. (*2)	16,870	-	6
Joint ventures:			
LG MMA Corp	29,148	-	-
Other related parties' affiliates by the Act: (*3)			
LG display Co., Ltd. and others	57,200	-	-
Total	₩ 1,045,841	₩ 2,796	₩ 76,385

(*1) It includes transactions with a subsidiary's associates.
(*2) It includes transactions with an associates' subsidiary.
(*3) These companies are not related parties as defined in paragraph 9 of K-IFRS 1024; however, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

The above transaction details include amounts classified as discontinued operating income and expenses in the current- and prior-year separate statements of income.

(3) Outstanding receivables and payables from transactions with related parties as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	December 31, 2021		
	Accounts receivable and others	Loans	Accounts payable and others
Subsidiaries:			
LG CNS Co., Ltd.	₩ 1,620	₩ -	₩ 5,353
S&I Corporation Co., Ltd. (*1)	3,432	-	73
S&I atxpert Co., Ltd.	46		4,157
LG Management Development Institute	117	-	2,239
LG Sports Ltd.	6	-	14,960
LG Holdings Japan Co., Ltd.	59	-	-
Associates and subsidiaries:			
LGEI (*2)	25,719	-	25,492
LG Chem Ltd. (*2)	23,609	-	9,983
LX Hausys, Ltd.	-	-	-
LG Household & Health Care Ltd. (*2)	570	-	5,494
LG Uplus Corp (*2)	352	-	8,341
GIIR Corporation (*2)	-	-	18,705
LX Semicon Co., Ltd.	-	-	-
LG Hitachi Co., Ltd.	-	-	13
LX International Corp. (*2)	-	-	-
Joint ventures:			
LX MMA Corp.	-	-	-
Other related parties' affiliates by the Act: (*3)			
LG Display Co., Ltd.	11,193	-	6,754
LX Holdings Co., Ltd. and others	89	-	12,565
Total	₩ 66,812	₩ -	₩ 114,129

	December 31, 2020		
	Accounts receivable and others	Loans	Accounts payable and others
Subsidiaries:			
LG CNS Co., Ltd.	₩ 198	₩ -	₩ 5,286
S&I Corporation Co., Ltd. (*1)	3,571	-	1,744
LG Management Development Institute	7	-	1,954
LG Sports Ltd.	-	-	31
LG Holdings Japan Co., Ltd.	235	-	-
Associates and subsidiaries:			
LGEI (*2)	2,909	-	25,671
LG Chem Ltd. (*2)	4,013	-	12,420
LG Hausys, Ltd.	-	-	4,468
LG Household & Health Care Ltd. (*2)	-	-	5,593
LG Uplus Corp (*2)	13	-	5,730
GIIR Corporation (*2)	385	-	18,778
Silicon Works Co., Ltd.	-	-	-
LG Hitachi Co., Ltd.	-	-	5
LG International Corp. (*2)	62	-	6,957
Joint ventures:			
LG MMA Corp.	-	-	816
Other related parties' affiliates by the Act: (*3)			
LG Display Co., Ltd. and others	1,417	-	6,799
Total	₩ 12,810	₩ -	₩ 96,252

(*1) It includes transactions with a subsidiary's associates.
(*2) It includes transactions with an associates' subsidiary.
(*3) These companies are not related parties as defined in paragraph 9 of K-IFRS 1024; however, the companies are designated by the Fair Trade Commission as related parties in accordance with the resolution of the Securities and Futures Commission in accordance with the substantive relationship stipulated in paragraph 10 of K-IFRS 1024.

The details of the above receivables and payables from transactions include amounts classified as assets and liabilities held for distribution to owners as of December 31, 2020.

(4) There is no fund transaction with related parties for the years ended December 31, 2021 and 2020.

(5) There are no guarantees provided for the related parties for the year ended December 31, 2021.

(6) The compensation and benefits for the Company's key management (registered executives, including non-permanent and non-registered executives) who has significant control and responsibility on planning, operating and controlling the activities of the Company for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021		Year ended December 31, 2020	
Short-term employee benefits	₩	31,528	₩	25,618
Severance benefits		3,045		2,902
Total	₩	34,573	₩	28,520

23. FUNDING ARRANGEMENTS AND PLEDGING:

(1) The Company has bank overdraft agreement limited to ₩5,000 million with Woori Bank, and general loan agreement limited to ₩95,000 million with Kookmin Bank and two others.

(2) Restricted financial assets as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Account	December 31, 2021		December 31, 2020		Details
Long-term deposits		5		5	Deposit for the checking accounts
Total	₩	5	₩	5	

(3) There is no pledging as of December 31, 2021.

(4) Other agreements

The Company enters into an agreement to propose an investment recovery plan for the shortfall if it fails to meet the investor's certain return rate when selling to Crystal Korea Limited (investor) for a portion of LG CNS (35% of issued shares).

24. LEASE:

(1) The Company as lessee

1) The Company has operating lease contracts for vehicles and office supplies. The average lease term is three years

2) The carrying amount of the right-of-use assets as of December 31, 2021 and 2020, is as follows (Unit: Korean won in millions):

	December 31, 2021		December 31, 2020	
Description	Vehicles		Vehicles	
Acquisition	₩	1,984	₩	2,014
Depreciation		(979)		(905)
Carrying amount	₩	1,005	₩	1,109

3) Changes in the carrying amount of the right-of-use assets for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	December 31, 2021		December 31, 2020	
Description	Vehicles		Vehicles	
Beginning balance	₩	1,109	₩	870
Acquisition		1,019		1,012
Depreciation		(695)		(670)
Revocation of contract, etc.		(428)		(103)
Ending balance	₩	1,005	₩	1,109

4) The amounts recognized as profit or loss for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021		December 31, 2020	
Depreciation of right-to-use assets	₩	695	₩	670
Interest expense of lease liabilities		19		25
Expenses related to short-term leases		77		66
Expenses related to leases of low-value assets		19		20
Expenses related to revocation of contract, etc.		3		9

(*) It includes amounts classified as discontinued operating income and expenses in the current- and prior-year separate statements of income.

As of the end of the current year, the lease agreement amount of the short term lease is KRW 15 million, and all short-term leases signed during the prior year have been terminated as of the end of the prior year. Cash outflows from leases during the current and prior years amounted to ₩817 million and ₩785 million, respectively.

5) The details of the liquidity classification of lease liabilities as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021		December 31, 2020	
Current liabilities	₩	616	₩	644
Non-current liabilities		396		478
Total	₩	1,012	₩	1,122

6) The details of the lease liabilities maturity analysis as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021			
	Minimum lease payments		Present value of minimum lease payments	
Within one year	₩	629	₩	616
One year–five years		402		396
Total	₩	1,031	₩	1,012

Description	December 31, 2020			
	Minimum lease payments		Present value of minimum lease payments	
Within one year	₩	658	₩	644
One year–five years		484		478
Total	₩	1,142	₩	1,122

(2) The Company as lessor

1) The Company has real estate lease contracts, and the major operating lease contracts as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Contract	December 31, 2021							
	Less than one year		1 year–5 years		More than 5 years		Total	
Building lease contract (Twin)	₩	71,904	₩	-	₩	-	₩	71,904
Building lease contract (Gasan)		19,447		71,128		36,155		126,730
Building lease contract (Gwanghwamun)		23,270		-		-		23,270
Building lease contract (Seoul station)		18,337		-		-		18,337
Total	₩	132,958	₩	71,128	₩	36,155	₩	240,241

Contract	December 31, 2020							
	Less than one year		1 year–5 years		More than 5 years		Total	
Building lease contract (Twin)	₩	72,425	₩	-	₩	-	₩	72,425
Building lease contract (Gasan)		18,670		66,890		53,250		138,810
Building lease contract (Gwanghwamun)		22,010		-		-		22,010
Building lease contract (Seoul station)		13,776		704		-		14,480
Total	₩	126,881	₩	67,594	₩	53,250	₩	247,725

2) The Company recognized rental revenue related to operating lease contracts for the years ended December 31, 2021 and 2020, in the amount of ₩130,686 million and ₩130,324 million, respectively.

25. PENDING LITIGATIONS:

Pending litigations as of December 31, 2021, are one case where the Company sued and two cases where the Company is sued (including trademark infringement and damages-related litigation).

26. RISK MANAGEMENT:

(1) Capital risk management

The Company performs capital management to maintain the ability to continuously provide profits to shareholders and interested parties and to maintain optimum capital structure to reduce capital expenses.

In order to maintain such optimum structure, the Company may adjust dividend payments, redeem paid-up capital to shareholders, issue stocks to reduce liability or sell assets.

The Company's capital structure consists of net liability, which is borrowings, less cash and cash equivalents and equity. The overall capital risk management policy of the Company is unchanged from prior period. In addition, items managed as capital by the Company as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	December 31, 2021	December 31, 2020
Total borrowings	₩ -	₩ -
Less cash and cash equivalents	210,756	472,495
Borrowings, net	(210,756)	(472,495)
Total equity	9,410,256	10,269,797
Debt ratio (*)	-	-

(*) The Company does not calculate equity to net borrowings ratio because borrowings, net, is negative number.

(2) Financial risk management

The Company is exposed to various financial risks, such as market (foreign exchange and price), credit and liquidity, related to financial instruments. The purpose of risk management of the Company is to identify the potential risks to financial performance, and reduce, eliminate and evade those risks to a degree acceptable to the Company. The Company makes use of derivative financial instruments to hedge certain risks, such as foreign exchange and interest rate risks.

1) Price risk

The Company is exposed to price risks from equity instruments. As of December 31, 2021, fair value of equity instruments is ₩38,511 million, and when all the other variables are constant and when the price of equity instrument changes by 10%, the effect after tax to equity will be ₩2,919 million.

2) Credit risk

Credit risk refers to risk of financial losses to the Company when the counterpart defaults on the obligations of the contract. Credit risk arises from cash and cash equivalents, derivatives and bank and financial institution deposits, as well as credit risks of customers, including receivables and firm commitments. As for banks and financial institutions, the Company makes transactions with reputable financial institutions; therefore, the credit risk from them is limited. For ordinary transactions, customers' financial status, credit history and other factors are considered to evaluate their credit status. The Company does not have policies to manage credit limits of each customer.

As of December 31, 2021, the maximum exposure of credit risk from loans and receivables is similar to their carrying amount.

3) Liquidity risk

The Company establishes short-term and long-term fund management plans. The Company analyzes and reviews actual cash outflows and its budget to correspond the maturity of financial liabilities to that of financial assets. Management of the Company believes that the financial liability may be redeemed by cash flow arising from operating activities and financial assets.

Maturity analysis of non-derivative financial liabilities according to its remaining maturity as of December 31, 2021, is as follows (Unit: Korean won in millions):

Description	Within a year	1 year–5 years	More than 5 years	Total
Non-interest financial instrument	₩ 119,277	₩ 770	₩ 11,655	₩ 131,702
Lease liabilities	629	402	-	1,031

Maturity analysis above is based on the book value and the earliest maturity date by which the payments should be made.

Maturity analysis of derivative financial liabilities according to its remaining maturity as of December 31, 2020, is as follows (Unit: Korean won in millions):

Description	Within a year	1 year–5 years	More than 5 years	Total
Derivatives	₩ -	₩ 38,982	₩ -	₩ 38,982

(*) With respect to the arrangements described in Note 23.(4), the Company enters into an arrangement that requires an investment recovery plan for a shortfall if it falls short of the investor's certain returns. As a result of these options, the Company does not judge that there will be a high likelihood of capital outflow. At the end of the current year, the Company recognized the fair value of KRW 39 billion for the option as a fair value financial liabilities measured at FVTPL and will be remeasured at fair value each year.

The Company manages liquidity through cash inflows from financial assets and financing arrangements with financial institutions. The maturity instruments of financial assets as of December 31, 2021, are as follows. (Unit: Korean won in millions):

	December 31, 2021			
Description	Within a year	1 year–5 years	More than 5 years	Total
Financial institution deposits	₩ 1,550,000	₩ -	₩ -	₩ 1,550,000
Accounts receivable and other receivables	69,826	500	5	70,331
Investment in equity and debt	-	-	189,309	189,309

4) Foreign currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange-rate fluctuations arise. The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are as follows (Unit: Korean won in millions):

Currency	Assets		Liabilities	
JPY	₩	58	₩	-

The Company regularly measures currency risk deprived from fluctuations of exchange rate.
Details of the Company's sensitivity to a 10% increase and decrease in Korean won against the relevant foreign currencies are as follows (Unit: Korean won in millions):

Currency	10% increase		10% decrease	
JPY	₩	4	₩	(4)

(3) Estimation of fair value

The fair values of financial instruments traded on active markets are determined with reference to quoted market prices. The Company uses the current bid price as the quoted market price for its financial assets.

The fair values of financial instruments not traded on an active market (i.e., over-the-counter derivatives) are determined using a valuation technique. The Company uses various valuation techniques using assumptions based on current market conditions. The fair values of long-term liabilities and financial liabilities available for settlement are determined using prices from observable current market transactions and dealer quotes for similar instruments. Where such prices are not available, a discounted cash flow analysis or other valuation technique is performed to measure their fair values.

Financial assets measured at amortized cost are approximated as their carrying value, less impairment loss. The Company estimates the fair values of financial liabilities as the present value of future contractual cash flows discounted based on current market rates applied to similar financial instruments.
Financial instruments that are measured subsequent to initial recognition at fair value are classified into Levels 1 to 3, based on the degree to which the fair value is observable, as described below.

- 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).
- 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) Financial instruments that are measured subsequent to initial recognition at fair value by fair value hierarchy levels as of December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2021 Level 1	Level 2	Level 3	Total
Financial assets measured at FVTPL				
Equity investment	₩ -	₩ -	₩ 8,664	₩ 8,664
Financial assets measured at FVTOCI				
Marketable equity securities	₩ 38,511	₩ -	₩ -	₩ 38,511
Unmarketable equity securities	-	-	142,134	142,134
Total	38,511	-	150,798	189,309
Financial liabilities measured at FVTPL				
Derivative financial liabilities	-	-	38,982	38,982
Total	₩ -	₩ -	₩ 38,982	₩ 38,982

Description	December 31, 2020 Level 1	Level 2	Level 3	Total
Financial assets measured at FVTPL				
Equity investment	₩ -	₩ -	₩ 450	₩ 450
Financial assets measured at FVTOCI				
Marketable equity securities	₩ 43,550	₩ -	₩ -	₩ 43,550
Unmarketable equity securities	-	-	52,894	52,894
Total	43,550	-	53,344	96,894
Financial liabilities measured at FVTPL				
Derivative financial liabilities	-	-	39,196	39,196
Total	₩ -	₩ -	₩ 39,196	₩ 39,196

There were no significant transfers between Levels 1 and 2 as of December 31, 2021 and 2020.

2) The fair value hierarchy of financial instruments with fair value cannot be reliably measured at fair value in the statements of financial position as of December 31, 2021 and 2020, as follows (Unit: Korean won in millions):

Description	December 31, 2021 Fair value Level 1	Level 2	Level 3	Total	Book value
Financial assets measured at amortized cost:					
Financial institution deposits	₩ -	₩ -	₩ 1,550,000	₩ 1,550,000	₩ 1,550,000
Other accounts receivable (*)	-	-	64,568	64,568	64,568
Accrued income (*)	-	-	5,258	5,258	5,258
Deposits (*)	-	-	505	505	505
Total	-	-	1,620,331	1,620,331	1,620,331
Financial liabilities measured at amortized cost:					
Other accounts payable (*)	-	-	42,072	42,072	42,072
Accrued dividends (*)	-	-	400	400	400
Deposits received	-	85,162	-	85,162	85,162
Lease liabilities	-	-	1,012	1,012	1,012
Total	₩ -	₩ 85,162	₩ 43,484	₩ 128,646	₩ 128,646

Description	December 31, 2020 Fair value Level 1	Level 2	Level 3	Total	Book value
Financial assets measured at amortized cost:					
Financial institution deposits	₩ -	₩ -	₩ 1,128,000	₩ 1,128,000	₩ 1,128,000
Other accounts receivable (*)	-	-	10,218	10,218	10,218
Accrued income (*)	-	-	3,809	3,809	3,809
Deposits (*)	-	-	5	5	5
Total	-	-	1,142,032	1,142,032	1,142,032
Financial liabilities measured at amortized cost:					
Other accounts payable (*)	-	-	23,483	23,483	23,483
Accrued dividends (*)	-	-	377	377	377
Deposits received	-	82,088	-	82,088	82,088
Lease liabilities	-	-	1,122	1,122	1,122
Total	₩ -	₩ 82,088	₩ 24,982	₩ 107,070	₩ 107,070

(*) Short-term receivables and short-term payment obligations denominated in Level 3 are measured at original amount since the discount effect is not significant.

3) Changes in Level 3 financial assets for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021 Beginning balance	Net income (loss)	Comprehensive income	Purchases	Disposals	Ending balance	Ending unrealized gain
Other financial assets	₩ 53,344	₩ -	₩ (10,760)	₩ 108,214	₩ -	₩ 150,798	₩ 5,517
Derivative financial liabilities	39,196	(214)	-	-	-	38,982	-

Description	Year ended December 31, 2020 Beginning balance	Net income (loss)	Comprehensive income	Purchases	Disposals	Ending balance	Ending unrealized gain
Other financial assets	₩ 60,707	₩ -	₩ (7,363)	₩ -	₩ -	₩ 53,344	₩ 16,277
Derivative financial liabilities	-	-	-	39,196	-	39,196	-

The amount recognized as comprehensive income (loss) is relevant to non-listed shares as of December 31, 2021, and recognized as changes of valuation gain (loss) (see Note 16) on other financial assets.

4) A description of the valuation techniques and the inputs used in the fair value measurement of financial instruments classified as Level 2 and Level 3 is as follows:

-Non-listed shares
The fair value of non-listed shares measured using a discounted cash flow model that is not based on observable market prices or rates will be used to estimate the future cash flows, such as sales growth, pretax operating profit margin and the weighted-average cost of capital. Capital Asset Pricing Model (CAPM) was used to calculate the weighted-average cost of capital. The key assumptions of estimation listed above are determined to have a significant impact on the fair value of non-listed shares, and the Company has classified the fair value hierarchy system on Level 3 of the fair value measurement of non-listed shares.

5) There is no change in the valuation technique used in the fair value measurement of financial instruments classified as Levels 2 and 3.

6) Relationship between unobservable inputs to fair value and information on fair value hierarchy Level 3 applying significant unobservable inputs is as follows (Unit: Korean won in millions):

Description	Fair value	Valuation technique	Unobservable input(s)	Range (%)	Relationship of unobservable inputs to fair value
Financial assets					
Other financial assets	₩ 31,795	Discounted cash flow method	Growth rate	0%	Increase (decrease) in the growth rate used would result in increase (decrease) of fair value
		Comparable company analysis	Discount rate	12.78%	Increase (decrease) in the discount rate used would result in decrease (increase) of fair value

7) A description of the valuation processes in the fair value measurement for Level 3 that the Company is carrying out is as follows:

The Company measures fair value of assets and liabilities for financial reporting purposes and reports the result of fair value measurements to chief finance officer directly.

Undesirable inputs that are used to estimate Level 3 fair value measurement are derived in a manner that is described below.

- Pretax profit margin and sales growth rate, which are used to measure the fair value of non-listed shares, are estimated based on the average value of pretax operating margin and sales growth rate of comparable-listed companies.

- Weighted-average cost of capital discount rate that is used to measure the fair value of non-listed shares is estimated by the weighted-average, after-tax, outside capital cost; capital cost estimates of the share value beta reflected for the purpose of the issuer of the shares; and capital structure based on the equity beta of comparable public companies has been derived based on the CAPM.

8) Impact on net income and other comprehensive income due to changes in fair value measured at Level 3 financial instruments associated significant unobservable inputs is as follows (Unit: Korean won in millions):

Description	Unobservable input(s)	Changes of reasonably possible unobservable input	Net income		Other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Other financial assets	Growth rate	+/-1%	-	-	₩ 301	₩ (258)
	Discount rate	+/-1%	-	-	455	(389)

Meanwhile, the Company has judged that unobservable changes of inputs to reflect alternative assumptions would not change fair value measurement significantly.

9) There is no significant change of business and economic environment affecting the fair value of the financial assets and liabilities during the current year.

27. NOTES TO THE CASH FLOW STATEMENT:

(1) Significant non-cash investing and financing activities for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021	Year ended December 31, 2020
Transfer of investment property to assets held for sale	₩ -	₩ 17,157
Transfer of deposits received to liabilities related to assets held for sale	-	539
Decrease due to spin-off (See Note 29)	737,155	-

(2) Details of changes in liabilities arising from financing activities for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

	Year ended December 31, 2021			
Description	Beginning	Cash flow	Others	Ending
Lease liabilities	₩ 1,122	₩ (703)	₩ 593	₩ 1,012

	Year ended December 31, 2020			
Description	Beginning	Cash flow	Others	Ending
Lease liabilities	₩ 877	₩ (674)	₩ 919	₩ 1,122

28. ASSETS AND LIABILITIES HELD FOR SALE:

On August 21, 2020, the Company signed a contract to sell the Buho building, an investment property. The details of assets and liabilities held for sale as of December 31, 2020, are as follows (Unit: Korean won in millions):

Description	December 31, 2020
Investment property (Buho building) (*)	₩ 17,157
Liabilities related with assets held for sale	539

(*) As the sale process was completed during the current period, the gain on disposition of investment property was recognized as other non-operating profits of ₩14,383 million.

29. DISCONTINUED OPERATING AND ASSETS AND LIABILITIES HELD FOR DISTRIBUTION TO OWNERS:

(1) Overview of spin-off

On March 26, 2021, the shareholders' meeting decided to spin off the division that manages some affiliates through stock ownership.
The amount of each major type of asset group inherited to the new split company on May 1, 2021, by spin-off is as follows.

Description	Description
Method	Spin-off
Company	New company: LX Holdings Co., Ltd. Surviving Company: LG Corp.
Approval date at the shareholders' meeting	2021-03-26
Spin-off date	2021-05-01

In accordance with the Company's spin-off plan, the segment to be spin-off was distributed to owners on May 1, 2021, and these results are presented in the current separate financial statements as discontinued operations. The comparative income statement has also been rewritten accordingly.

(2) Financial Information

Financial information related to operating segment to be spin-off is as follows:

1) Income statement

Major income and expenses classified as discontinued operations for the years ended December 31, 2021 and 2020, are as follows (Unit: Korean won in millions):

Description	Year ended December 31, 2021	Year ended December 31, 2020
Operating income	₩ 41,505	₩ 44,272
Operating expenses:	6,242	10,894
Net operating income	35,263	33,378
Non-operating income and expenses:	527	1,591
Discontinued operating income and expenses before income tax expense	35,790	34,969
Income tax expense	706	3,095
Income and expenses from discontinued operations	35,084	31,874
Gain on sale of discontinued operating	731,132	-
Discontinued operating profit and loss	766,216	31,874

2) Disposal group distributed to owners

The Company has approved by the shareholders' meeting to distribute assets and liabilities related to the segment to be spin-off to the owners of the segment.
The majority of disposal group distributed to new company is as follow (Unit: Korean won in millions):

Assets	Book value		Liabilities	Book value	
Cash and cash equivalents	₩	172,814	Other current payables	₩	426
Other receivables		3	Other current liabilities		76
Other current assets		175	Deferred tax liability		1,778
Long-term other receivables		2	Net defined benefit liability		1,671
Investments in associates and joint ventures		740,923			
Property, plant and equipment		3			
Total	₩	913,920	Total	₩	3,951

30. SUBSEQUENT EVENTS:

On March 10, 2022, the Company completed the sale of all its shares of Owens Corning Korea Co., Ltd. The book value as of December 31, 2021, is as follows (Unit: Korean won in millions):

Description	December 31, 2021	
Owens Corning Korea Co., Ltd.	₩	10,195

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

English Translation of Independent Auditors' Report on Internal Control over Financial Reporting Originally Issued in Korean on March 21, 2021.

To the Shareholders and the Board of Directors of LG Corp.:

Audit Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of LG Corp. (the "Company") as of December 31, 2021, based on 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'. In our opinion, the Company's internal control over financial reporting is designed and operated effectively as of December 31, 2021, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.'

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2021, and the separate statement of income, separate statement of comprehensive income, separate statement of changes in shareholders' equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies, and our report dated March 21, 2022, expressed unqualified opinion.

Basis for Audit Opinion

We conducted our audits in accordance with the KSAs. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Internal Control over Financial Reporting section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the internal control over financial reporting in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Report on the Operations of the Internal Accounting Control System*.
Those Charged with Governance is responsible for the oversight of internal control over financial reporting of the Company.

Auditors' Responsibilities for the Audits of the Internal Control over Financial Reporting

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

The audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. The audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risks.

Deloitte.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with K-IFRS. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

The engagement partner on the audit resulting in this independent auditors' report is Su-Jae Jang.

Deloitte Anjin LLC

March 21, 2022

<u>Notice to Readers</u>

This report is effective as of March 21, 2022, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the Company's internal control over financial reporting and may result in modifications to the auditors' report.

Report on the Operations of the Internal Accounting Control System

To the Shareholders and the Board of Directors and the Audit Committee of LG Corp.:

I, as the Internal Accounting Control Officer ("IACO") of LG Corp. (the "Company"), assessed the status of the design and operations of the Company's Internal Accounting Control System ("IACS") for the year ended December 31, 2021.

The Company's management, including IACO, is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud, which may cause any misstatement of the separate financial statements for the purpose of establishing the reliability of financial reporting and the preparation of separate financial statements for external purposes.
I, as the IACO, applied the frame of reference 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting,' which is announced by IACS committee for the designing and operating of the IACS. Also, I, as the IACO, applied the Conceptual Framework for assessment and designing Internal Control over Financial Reporting,' which is announced by IACS committee for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2021, in all material respects, in accordance with the IACS standards.

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

February 10, 2022

Bong-Seok Kwon

President and Chief Operating Officer

Beom-Jong Ha

Internal Accounting Control Officer

Disclosure on Execution of External Audit

We attach required disclosure on the execution of external audit performed in accordance with ***Article 18-3 of the Act on External Audit of Stock Companies***.

1. Company and Reporting Period subject to External Audit

Company	LG Corp.			
Reporting Period	2021/01/01	From	2021/12/31	To

2. Number of Participants and Details on the Hours Executed in Audit

(Unit: Number of Participants, Hours Executed)

Participant(s) / Number and Hour(s)		Engagement Quality Reviewer(s)		Audit Professional(s): Engagement Partner(s)		Audit Professional(s): Members of KICPA (Registered)		Audit Professional(s): Members of KICPA (Non-Registered)		IT Specialist(s), Tax Specialist(s), and Valuation Specialist(s)		Construction contracts order-made productio n industry specialist(s)		Total	
Number of Participant(s)		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Number of Participant(s)		6	8	1	1	12	12	2	2	14	7	-	-	35	30
Hours Executed	Interim	12	15	64	103	1,702	1,276	632	1,325	309	8	-	-	2,719	2,727
	Audit	63	133	247	162	2,129	1,724	685	984	416	291	-	-	3,540	3,294
	Total	75	148	311	265	3,831	3,000	1,317	2,309	725	299	-	-	6,259	6,021

3. Key Disclosure on Execution of External Audit

<table>
<tr><th>Title</th><th colspan="6">Detail</th></tr>
<tr><td rowspan="2">Audit Planning Stage</td><td colspan="2">Dates Performed</td><td colspan="2">April 2021 – September 2021</td><td>5</td><td>Days</td></tr>
<tr><td colspan="2">Main Planning Work Performed</td><td colspan="4">Understanding the Company and business environments, composing the audit member, identifying and evaluating significant risk of material misstatements, deciding the nature/timing/extent of an audit, reviewing the application of professionals and determining the materiality in the application of an audit</td></tr>
<tr><td rowspan="6">Fieldwork Performed</td><td colspan="2" rowspan="2">Dates Performed</td><td colspan="2">Number of Participant(s)</td><td colspan="2" rowspan="2">Main Fieldwork Performed</td></tr>
<tr><td>On-Site</td><td>Off-Site</td></tr>
<tr><td></td><td>Days</td><td>Number of Participant(s)</td><td>Number of Participant(s)</td><td colspan="2"></td></tr>
<tr><td>2021/11/22–2021/12/03</td><td>10</td><td>4</td><td>2</td><td colspan="2">Interim audit (understanding the transaction type of each process and control testing)</td></tr>
<tr><td>2022/01/13–2022/01/17</td><td>3</td><td>3</td><td>2</td><td colspan="2">External audit (substantive procedure for the material account balances and transactions, consolidation audit)</td></tr>
<tr><td>2022/01/18–2022/01/28</td><td>9</td><td>4</td><td>2</td><td colspan="2">External audit (substantive procedure for the material account balances and transactions, consolidation audit)</td></tr>
<tr><td rowspan="3">Physical Counts - Inventory (Observation)</td><td>Time (When Performed)</td><td colspan="2">-</td><td>-</td><td colspan="2">Day(s)</td></tr>
<tr><td>Place (Where Performed)</td><td colspan="5">-</td></tr>
<tr><td>Inventory subjected to Counts</td><td colspan="5">-</td></tr>
<tr><td rowspan="3">Physical Counts - Financial Instruments (Observation)</td><td>Time (When Performed)</td><td colspan="2">2022/01/04</td><td>1</td><td colspan="2">Day(s)</td></tr>
<tr><td>Place (Where Performed)</td><td colspan="5">LG Corp. headquarters</td></tr>
<tr><td>Financial Instruments Subjected to Counts</td><td colspan="5">Cash, investment securities, memberships, and others</td></tr>
<tr><td rowspan="2">External Confirmation</td><td>Bank Confirmation</td><td>O</td><td>Accounts Receivable/Payable Confirmation</td><td>O</td><td>Legal Confirmation</td><td>O</td></tr>
<tr><td>Other Confirmation</td><td colspan="5">N/A</td></tr>
<tr><td rowspan="2">Communications with Those Charged with Governance</td><td>Number of Communications</td><td>5</td><td colspan="4">Time(s) Performed</td></tr>
<tr><td>Time (When Performed)</td><td colspan="5">2021/03/04, 2021/05/13, 2021/08/12, 2021/11/11 and 2022/02/10</td></tr>
</table>

4. Communications with Audit Committee

Title	Time (When Performed)	Attendants	Method	Key Content of Discussion
1	2021/03/04	Three Audit Committee members, Engagement Partner and one other person	Face-to-face meeting	Audit schedule and main audit matters
2	2021/05/13	Three Audit Committee members, Engagement Partner and one other person	Face-to-face meeting	Review of interim financial statements and introduction to recent accounting trends
3	2021/08/12	Three Audit Committee members, Engagement Partner and one other person	Face-to-face meeting	Review of interim financial statements and report on preliminary selection of key audit matters
4	2021/11/11	Three Audit Committee members, Engagement Partner and one other person	Face-to-face meeting	Review of interim financial statements, selection of significance in audit and key audit matters
5	2022/02/10	Three Audit Committee members, Engagement Partner and one other person	Face-to-face meeting	Report on result of external audit, independence of auditor, result of main audit matters and report on group audit matters