SHINSEGAE Inc. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

SHINSEGAE Inc.

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INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 9, 2023.

To the Shareholders and the Board of Directors of
SHINSEGAE Inc.:

Report on the Audited Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of SHINSEGAE Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, respectively, and the related consolidated statements of income, the consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

- Audit risk to impairment of cash-generating units

As presented in Notes 2 (6) and (18) to consolidated financial statements, cash-generating units to which goodwill has been allocated are tested for impairment annually, and cash-generating units other than goodwill are reviewed at each reporting date 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 the current year, the Group reviewed cash-generating units and identified indications that some units may be impaired. The cash-generating units that may be impaired or to which goodwill has been allocated were tested for impairment, recognizing impairment loss of ₩14,536 million and reversal of impairment loss of ₩2,948 million.

The impairment test of a cash-generating unit requires management's estimation and judgment, including expected future cash flows and discount rates, and there is considerable uncertainty in the estimation and judgment, so we have decided the impairment test of cash-generating units as a key audit matter.

- Audit procedure responding to risk

As of December 31, 2022, the major audit procedures we have performed regarding the impact of the impairment test of a cash-generating unit on consolidated financial statements are as follows:
1) Understand and assess the Group's internal controls related to the review of indications of impairment and the impairment test.
2) Inquire and inspect documents on expected future cash flows used in the impairment test:
   - Reconciliation with mid- and long-term business plans
   - Retrospective review of historical prediction accuracy by comparing historical predictions with actual facts
   - Comparison between sales growth and external economic forecasts
3) Utilize internal experts and verify the adequacy of the discount rate and assumptions used in the valuation model.
4) Review the Group's determination of the cash-generating unit and the appropriateness of the net assets allocated to each unit.
5) Evaluate the eligibility and independence of external experts utilized by the Group.

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

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

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

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

Auditors’ Responsibilities for the Audits of the Consolidated Financial Statements

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

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

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

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• Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We 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 audits of the consolidated 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 audits resulting in this independent auditors' report is Mr. Lee, Sun Hee.

Deloitte Anjin LLC

March 9, 2023

Notice to Readers

This report is effective as of March 9, 2023, 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 consolidated financial statements and may result in modifications to the auditors' report.

SHINSEGAE Inc. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, SHINSEGAE Inc.

Son, Young Sik
Chief Executive Officer
SHINSEGAE Inc.

SHINSEGAE Inc. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2022 and 2021

ASSETS	Notes		December 31, 2022		December 31, 2021
			(In millions of Korean won)		
Current assets:					
Cash and cash equivalents	41,42,44	₩	937,973	₩	577,788
Trade and other accounts receivable	6,42,43		559,331		471,966
Financial assets measured at FVTPL	7,42		78,861		-
Inventories	10		865,375		755,968
Finance lease receivables	11,42		135		332
Derivative assets	20,41,42		12,725		64
Current tax assets			400		199
Other financial assets	5,9,42,43		91,206		61,023
Other current assets	18,43		104,064		43,032
Assets held for sale	48		3,658		-
			2,653,728		1,910,372
Non-current assets:					
Trade and other accounts receivable	6,42,43		1,387		1,162
Financial assets measured at FVTPL	5,7,42		150,545		75,808
Financial assets measured at FVTOCI	8,41,42		376,110		380,973
Finance lease receivables	11,42		85		216
Investments in associates and joint ventures	13		974,187		976,155
Property and equipment	14,46		7,011,320		6,942,996
Investment property	14,15,46		724,606		732,201
Right-of-use asset	16,43,46		1,034,040		1,448,113
Intangible assets	17		620,529		428,177
Derivative assets	20,41,42		19,989		4,325
Other non-current financial assets	5,9,42,43		672,616		659,741
Other non-current assets	18,43		7,311		11,540
Retirement benefit assets	25		77,115		-
Deferred tax assets	38		24,845		72,732
			11,694,685		11,734,139
Total assets		₩	14,348,412	₩	13,644,511

(Continued)

SHINSEGAE Inc. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2022 and 2021

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes		December 31, 2022		December 31, 2021
			(In millions of Korean won)		
Current liabilities:					
Trade and other accounts payable	19,41,42,43	₩	1,438,151	₩	1,159,545
Merchandise coupon	32		699,165		616,972
Short-term borrowings	21,41,42		1,978,151		949,064
Derivative liabilities	20,41,42		2,754		5,085
Income tax payable			106,398		66,726
Provisions	26		26,018		4,671
Other financial liabilities	23,41,42,43		187,693		177,422
Lease liabilities	24,41,42,43		230,261		395,029
Other current liabilities	22,27,43		177,843		196,022
Liabilities held for sale	48		3,490		-
			4,849,924		3,570,536
Non-current liabilities:					
Trade and other accounts payable	19,41,42		1,514		923
Long-term borrowings	21,41,42		1,720,699		2,372,973
Derivative liabilities	20,41,42		31,658		20,515
Retirement benefit obligation	25		-		6,776
Deferred tax liabilities	38		724,210		931,328
Provisions	26		4,821		8,453
Other non-current financial liabilities	23,41,42,43		107,038		76,178
Lease liabilities	24,41,42,43		639,637		876,845
Other non-current liabilities	22,43		17,132		17,532
			3,246,709		4,311,523
Total liabilities			8,096,633		7,882,059
Shareholders' equity:					
Equity attributable to owners of the Group:					
Capital stock	28		49,226		49,226
Other paid-in capital	29		399,032		399,018
Retained earnings	30		3,479,353		3,084,467
Other capital components	31		186,060		211,386
			4,113,671		3,744,097
Non-controlling interests	12		2,138,108		2,018,354
Total shareholders' equity			6,251,779		5,762,451
Total liabilities and shareholders' equity		₩	14,348,412	₩	13,644,511

(Concluded)

See notes to consolidated financial statements.

SHINSEGAE Inc. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	Notes	2022	2021
		(In millions of Korean won, except for earnings per share)	
Sales	4,32,43	₩ 7,812,755	₩ 6,316,436
Cost of sales	39,43	2,727,571	2,607,115
Gross profit		5,085,184	3,709,321
Selling and administrative expenses	33,39,43	4,439,735	3,191,920
Operating income		645,449	517,401
Financial income	34,43	124,745	93,432
Financial expenses	35	209,228	168,751
Share of losses of associates and joint ventures	13	(22,883)	(11,338)
Other non-operating income	36,43	44,827	296,247
Other non-operating expenses	37	61,036	209,416
Net income before income tax expense		521,875	517,575
Income tax expense (income)	38	(25,765)	128,708
Net income		₩ 547,640	₩ 388,867
Net income attributable to:			
Owners of the Group		₩ 406,065	₩ 306,827
Non-controlling interests	12	141,575	82,039
Earnings per share:	40		
Basic earnings per share		₩ 41,282	₩ 31,193
Diluted earnings per share		₩ 41,282	₩ 31,193

See notes to consolidated financial statements.

SHINSEGAE Inc. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	Notes	2022	2021
		(In millions of Korean won)	
Net income		₩ 547,640	₩ 388,867
Other comprehensive income :			
Items not to be reclassified subsequently to profit or loss		(4,511)	(45,961)
Loss on valuation of financial assets measured at FVTOCI		(34,863)	(67,575)
Changes in capital variation of equity method		2,138	711
Remeasurement of defined benefit plan	25	25,857	6,078
Tax effects on the items not to be reclassified to profit or loss	38	2,357	14,825
Items to be reclassified subsequently to profit or loss		2,708	2,547
Gain on valuation of derivatives		-	342
Changes in capital variation of equity method		2,768	1,999
Gain on foreign operations translation, net		561	772
Tax effects on the items to be reclassified to profit or loss	38	(621)	(566)
		(1,803)	(43,414)
Comprehensive income		₩ 545,837	₩ 345,452
Comprehensive income attributable to:			
Owners of the Group		₩ 399,386	₩ 260,943
Non-controlling interests	12	146,451	84,509

See notes to consolidated financial statements.

SHINSEGAE Inc. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

(In millions of Korean won)

	Owners of the Group						
		Other paid-in capital					
	Capital stock	Capital surplus	Others	Retained earnings	Other capital components	Non-controlling interests	Total
Balance at January 1, 2021	₩ 49,226	₩ 72,431	₩ 271,792	₩ 2,788,210	₩ 260,712	₩ 1,614,884	₩ 5,057,255
Dividends	-	-	-	(14,755)	-	(7,360)	(22,115)
Comprehensive income (loss)	-	-	-	310,937	(49,993)	84,509	345,452
Net income	-	-	-	306,827	-	82,039	388,867
Gain on valuation of financial assets measured at FVTOCI	-	-	-	-	(51,222)	-	(51,222)
Gain on valuation of derivatives	-	-	-	-	114	145	259
Changes in capital variation of equity method	-	-	-	925	811	318	2,054
Loss on foreign operations translation, net	-	-	-	-	303	469	772
Remeasurement of defined benefit plan	-	-	-	3,184	-	1,538	4,722
Additional acquisition of subsidiaries	-	-	16	-	-	(28,172)	(28,156)
Acquisition of subsidiaries	-	-	-	-	667	313,532	314,199
Partial disposition of subsidiaries	-	-	54,778	-	-	44,952	99,730
Reclassification adjustments	-	-	-	(1)	1	-	-
Other adjustments	-	-	-	75	-	(3,990)	(3,915)
Balance at December 31, 2021	₩ 49,226	₩ 72,431	₩ 326,587	₩ 3,084,467	₩ 211,387	₩ 2,018,354	₩ 5,762,451
Balance at January 1, 2022	₩ 49,226	₩ 72,431	₩ 326,587	₩ 3,084,467	₩ 211,387	₩ 2,018,354	₩ 5,762,451
Dividends	-	-	-	(29,509)	-	(24,523)	(54,032)
Comprehensive income (loss)	-	-	-	424,712	(25,326)	146,451	545,837
Net income	-	-	-	406,065	-	141,575	547,640
Gain on valuation of financial assets measured at FVTOCI	-	-	-	-	(26,775)	-	(26,775)
Gain on valuation of derivatives	-	-	-	-	-	-	-
Changes in capital variation of equity method	-	-	-	2,228	1,207	332	3,768
Loss on foreign operations translation, net	-	-	-	-	242	319	561
Remeasurement of defined benefit plan	-	-	-	16,418	-	4,225	20,643
Additional acquisition of subsidiaries	-	-	14	-	-	(24,930)	(24,916)
Acquisition of subsidiaries	-	-	-	-	-	23,271	23,271
Other adjustments	-	-	-	(317)	-	(516)	(832)
Balance at December 31, 2022	₩ 49,226	₩ 72,431	₩ 326,601	₩ 3,479,353	₩ 186,061	₩ 2,138,108	₩ 6,251,779

See notes to consolidated financial statements.

SHINSEGAE Inc. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	Notes	2022	2021
		(In millions of Korean won)	
Cash flows from operating activities:			
Cash generated from operating activities	44	₩ 1,067,777	₩ 1,203,799
Interest income received		13,773	2,790
Dividends received		41,034	26,517
Interest expense paid		(115,468)	(100,006)
Income tax paid		(103,980)	(28,614)
Net cash provided by operating activities		903,136	1,104,486
Cash flows from investing activities:			
Increase in other financial assets		(283,781)	(120,623)
Decrease in other financial assets		232,458	100,175
Increase in leasehold deposit		(17,471)	(32,658)
Decrease in leasehold deposit		11,497	16,271
Acquisition of property and equipment		(381,413)	(584,439)
Disposal of property and equipment		3,378	1,125
Acquisition of intangible assets		(16,514)	(12,420)
Disposal of intangible assets		6,908	2,597
Acquisition of investment property		(3,260)	(88,760)
Disposal of investment property		4,050	306
Disposal of assets held for sale		-	16,564
Acquisition of investments in associates and joint ventures		(37,275)	-
Disposal of investments in associates and joint ventures		-	8,033
Acquisition of financial assets measured at FVTPL		(287,830)	(315,570)
Disposal of financial assets measured at FVTPL		187,272	285,049
Acquisition of financial assets measured at FVTOCI		(30,000)	-
Acquisition of other non-current assets		(44)	-
Disposal of other non-current assets		-	14
Decrease in finance lease receivables		332	332
Settlement of derivatives		4,010	465
Net cash outflow arising from business acquisition		(166,424)	(101,846)
Net cash used in investing activities		(774,107)	(825,385)

(Continued)

SHINSEGAE Inc. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

Cash flows from financing activities:					
Proceeds from short-term borrowings		₩	3,626,733	₩	4,311,055
Repayment of short-term borrowings			(3,267,443)		(4,376,918)
Proceeds from long-term borrowings			180,700		105,616
Repayment of long-term borrowings			(12,421)		(497,380)
Proceeds from debentures			332,633		1,021,971
Repayment of debentures			(512,750)		(458,180)
Repayment of lease liabilities			(70,825)		(162,883)
Dividends paid			(54,032)		(22,114)
Paid-in capital increase in subsidiaries			-		4,082
Additional acquisition of subsidiaries			(20,000)		(28,156)
Settlement of derivatives			-		836
Increase in non-controlling interest liabilities			30,241		16,490
Other financing activities			-		(5,000)
Net cash provided by (used in) financing activities		₩	232,836	₩	(90,581)
Net increase in cash and cash equivalents			361,865		188,520
Cash and cash equivalents at the beginning of year	44		577,788		388,723
Effect of exchange rate changes on cash and cash equivalents held in a foreign currency			(1,680)		545
Cash and cash equivalents at the end of year	44	₩	937,973	₩	577,788

(Concluded)

See notes to consolidated financial statements.

1. GENERAL:

SHINSEGAE Inc. (the "Company") and its subsidiaries (collectively, the "Group") has prepared the consolidated financial statements in accordance with Korean International Financial Reporting Standard ("K-IFRS") 1110, Consolidated Financial Statements.

The Company was established on December 9, 1955, under the original name of Donghwa Department Store. The Company changed its name to Shinsegae Department Store Co., Ltd., SHINSEGAE Co., Ltd. and SHINSEGAE Inc. The headquarters of the Company is located at 63, Sogong-ro, Jung-gu, Seoul.

Its business is engaged in retail sales at department stores, and as of December 31, 2022, the Company has nine departmental stores. The discount store sector of the Company has spun off into a separate entity on May 1, 2011, and the online business sector of the Company has spun off into a separate entity on December 27, 2018.

On August 19, 1985, the Company was listed on the Korea Exchange. As of December 31, 2022, the Company's major shareholders, Chung Yoo-Kyung and others, hold 28.56% of the total shares.

2. BASIS OF CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of consolidation

The Group has prepared the consolidated financial statements in accordance with K-IFRSs.

The principal accounting policies are set out below. Except for the effect of the amendments to K-IFRSs and new interpretations set out below, the principal accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2022, are consistent with the accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2021.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102, Share-Based Payment; leasing transactions that are within the scope of K-IFRS 1116, 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.

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

The consolidated financial statements of the Group as of and for the year ended December 31, 2022, were approved by its board of directors on February 22, 2023, and will be approved at the shareholders' meeting on March 23, 2023.

1) New and amended K-IFRSs and new interpretations that are effective for the current year

In the current year, the Group has applied a number of new and amended K-IFRSs and new interpretations issued that are effective accounting periods beginning on or after January 1, 2022.

- 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.

- 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*.

If not presented separately in the consolidated statements 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 statements 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 consolidated financial statements in which the entity first applies the amendments.

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

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.

- *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*.

- K-IFRS 1101 *First-Time Adoption of K-IFRS*

  The amendment provides additional relief to a subsidiary that 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 IFRS Standards, 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).

- K-IFRS 1109 *Financial Instruments*

  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.

- K-IFRS 1116 *Leases*

  The amendment removes the illustration of the reimbursement of leasehold improvements.

- K-IFRS 1041 *Agriculture*

  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 post-tax cash flows and discount rates for the most appropriate fair value measurement.

The application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

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

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

At the date of authorization of these financial statements, the Group has not applied the following new and revise d K-IFRSs that have been issued, but are not yet effective:

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

The amendments to K-IFRS 1001 affect only the presentation of liabilities as current or non-current in the consolidated statements 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, and 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 it 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 1001 *Presentation of Financial Statements* and *IFRS Practice Statement 2 Making Materiality Judgements* - Disclosure of Accounting Policies (Amendment)

The amendments change the requirements in K-IFRS 1001 with regard to the 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 consolidated financial statements.

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information related 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 *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 1001 *Presentation of Financial Statements* - Disclosure of financial liabilities with the condition to adjust exercise price (Amendment)

The amendments require disclosure of valuation gains or losses (limited to those recognized in the profit or loss) of the conversion options or warrants (or financial liabilities including them), if all or part of the financial instrument with an exercise price that is adjusted depending on the issuer's share price change is classified as a financial liability as defined in paragraph 11 (2) of K-IFRS 1032.

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

-K-IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Accounting Estimates (Amendments)

The amendments replace 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 definition of a change in accounting estimates was deleted. However, the International Accounting Standards Board retained the concept of changes in accounting estimates in the standard with the following clarifications:
• A change in accounting estimate that results from new information or new developments is not the correction of an error.
• The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

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 in 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 Group is reviewing the effects of the above-listed new and amended K-IFRSs on its consolidated financial statements.

(2) Basis of consolidation

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

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

• the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
• potential voting rights held by the Company, other vote holders or other parties
• rights arising from other contractual arrangements
• any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

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

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

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at 1) fair value or 2) at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value.

Subsequent to the acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition, plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

(3) Business combination

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012, *Income Taxes* and K-IFRS 1019, *Employee Benefits,* respectively.
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 *Share-based Payment* at the acquisition date.
- Assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

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

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

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

(4) Investments in associates and joint ventures

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

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

The results of operations and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale; in which case, it is accounted for in accordance with K-IFRS 1105.

Under the equity method, an investment in an associate or a joint venture is recognized initially in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses in an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

When the Group reduces its ownership interest in an associate or a joint venture, but continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. If an investment in an associate or a joint venture is classified as held for sale, the Group adopts K-IFRS 1105.

When an investment in an associate is a joint venture or, conversely, a joint venture is an investment in an associate, the Group continues to apply the equity method and does not remeasure any residual equity.

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

(5) Interests in joint operations

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

When a group entity undertakes its activities under joint operations, the Group, as a joint operator, recognizes in relation to its interest in a joint operation:

• Its assets, including its share of any assets held jointly
• Its liabilities, including its share of any liabilities incurred jointly
• Its revenue from the sale of its share of the output arising from the joint operation
• Its share of the revenue from the sale of the output by the joint operation
• Its expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with K-IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which the group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of the other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which the group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

(6) Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that are expected to benefit from the synergies of the combination.
A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The Group's policy for goodwill resulting from the acquisition of an associate is described in Note 2 (4).

(7) Non-current assets held for sale

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

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.
When the Group is committed to a sale plan involving the disposal of an investment in an associate or joint venture or, a portion of an investment in an associate or joint venture, the investment, or the portion of the investment in the associate or joint venture that will be disposed of is classified as held for sale when the criteria described above are met, and the Group ceases to apply the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

(8) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer. The standard introduces a five-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract and 5) Recognize revenue when (or as) the entity satisfies a performance obligation.

1) Supply of goods and services

The Group recognizes revenue at the time the customer purchases the goods and transfers control of the goods to the customer, and recognizes revenue to the extent that it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur for variable consideration.

On the other hand, the Group recognizes revenue for the sales of goods at a particular store, less the specific purchase cost at the time of delivery of the goods to the customer.

2) Royalty income

Royalty income is recognized according to the accrual basis, reflecting the economic substance of the contract concerned.

3) Customer loyalty program

The Group provides compensation scores to customers who purchase goods or services as part of the sales transaction and operates a program in which they can purchase goods or services free of charge or at a discount using the compensation scores they receive.

These rewards provide the customers with a discount that they cannot receive, unless they purchase the goods or services. Therefore, the promise to provide discounts to customers is a separate performance obligation.

The transaction price is allocated based on the relative stand-alone selling price of the goods or services and the compensation score. The sand-alone selling price per reward point is estimated based on the discounts provided when the customers use the compensation score in accordance with past experiences and availability. At the time of the initial sales transaction, revenue related to the compensation score is recognized as a contractual liability. Revenues arising from compensation scores are recognized when the customer uses the compensation scores. Revenues arising from the expected unused compensation scores are recognized in proportion to the way the customer exercises the rights.

(9) Leases

1) The Group as lessee

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

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

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

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

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

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of the exercise of a purchase option; in which case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or a rate, or a change in expected payment under a guaranteed residual value; in which cases, the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate; in which case, a revised discount rate is used).
- 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 Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under K-IFRS 1037. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

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

The Group applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of tangible and intangible assets other than goodwill' (see Note 2.(18)).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss. As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

2) The Group as lessor

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

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or an 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 Group's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of K-IFRS 1109, recognizing an allowance for expected credit losses ("ECLs") on the lease receivables.

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

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

(10) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the exchange rates prevailing at the transactions' dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 2 (24) below for hedge accounting policies); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period; in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests, as appropriate).

On the disposal of a foreign operation (i.e., disposal of the Group's entire interest in a foreign operation or disposal involving loss of control over a subsidiary that includes a foreign operation, or partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation whose retained interest becomes a financial asset), all of the accumulated exchange differences in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests in equity and is not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

(11) 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.

To the extent that variable-rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed-rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

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.

(12) Government grants

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

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

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

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants toward staff retraining costs are recognized as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

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

(13) Retirement benefit costs and termination benefits

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

For defined 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 annual reporting period.
Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest), are recognized immediately in the consolidated statements of financial position with a charge or credit to the consolidated statements of comprehensive income in the period in which they occur. Remeasurements recognized in the consolidated statements of comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs or when the Group recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:
• Service costs, which include current service cost, past service cost and gains or losses on curtailments and settlements
• Net interest expense or income
• Remeasurements

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

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

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit or when the entity recognizes any related restructuring costs.

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

If the contributions are not linked to services (e.g., contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).

If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by K-IFRS 1019 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

(14) Taxation

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

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

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. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

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

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

In addition, the Group applies a consolidated tax method where the consolidated tax filing group, which is composed of the Company and wholly owned domestic subsidiaries of the Company, files and pays consolidated corporate tax of the consolidated tax filing group. In this method, the Company is the subject of filing and payment of consolidated corporate tax and receives the corresponding corporate tax from each consolidated component.

(15) Property and equipment

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

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.
The Group does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Buildings	10–60
Structures	10–40
Interior	5–8
Machinery	5–30
Vehicles	4-5
Tools and equipment	5–10

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

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

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

(16) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost, less accumulated depreciation and accumulated impairment losses.

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

While the land is not depreciated, all other investment properties are depreciated based on the respective assets' estimated useful lives using the straight-line method.

	Estimated useful life (years)
Buildings	10–50

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

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

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

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

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

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

At the end of each reporting period, the Group 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 Group estimates the recoverable amount of the CGU to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs; otherwise, they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(19) Inventories

Inventories are stated at the lower of cost or net realizable value. The quantities of inventories are determined using the perpetual method and periodic inventory count, while the cost of inventories is determined by the specific identification method for goods in transit; the moving-weighted-average method for raw materials, submaterials, supplies, finished goods, merchandise and work in progress; and the retail method for the merchandise. Cost of inventories consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

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

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

(20) Provisions

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

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

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

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

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

(21) Cash and cash equivalents

In the Group's consolidated statement of financial position, cash and bank balances comprise cash (i.e., cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with an original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Bank balances for which use by the Group is subject to third-party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

For the purposes of the Group's consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the statement of financial position.

(22) Financial instruments

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

(23) Financial assets

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

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

1) Classification of financial assets

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

• The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

• The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

• The Group may irrevocably elect to present subsequent changes in the fair value of an equity investment in other comprehensive income if certain criteria are met (see 1-3 below).

• The Group 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 rate method

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e., assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding 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 the financial asset before adjusting for any loss allowance.

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

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

Interest income is recognized in profit and is included in the ‘financial income’ line item (see Note 34).

1-2) Debt instruments classified as at FVTOCI

The corporate bonds held by the Group are classified as at FVTOCI. Fair value is determined in the manner described in Note 42. The corporate bonds are initially measured at fair value, plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses and interest income, calculated using the effective interest method, are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

1-3) Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit taking.
- 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 ‘financial income’ line item (see Note 34) 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 Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see 1–3 above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see 1–1 and 1–2 above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group 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. Fair value is determined in the manner described in Note 42.

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.
- 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. 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.
- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

3) Impairment of financial assets

The Group recognizes a loss allowance for ECLs on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.
The Group 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 Group's historical credit loss experience and valuation of individual assets, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast directions of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group 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 Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECLs represent the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, a 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 Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that are available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecasted economic information that relate to the Group's core operations.

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

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating.
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost.
- An actual or expected significant deterioration in the operating results of the debtor.
- Existing or forecasted 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.
- An actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

For financial guarantee contracts, the date when the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since the initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

3-2) Definition of default

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

- When there is a breach of financial covenants by the debtor.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3-3) Credit-impaired financial assets

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

(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.
(e) The disappearance of an active market for that financial asset because of financial difficulties.

3-4) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice.

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 drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECLs are consistent with the cash flows used in measuring the lease receivable in accordance with K-IFRS 1116 *Leases*.
For a financial guarantee contract, as the Group 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 payments to reimburse the holder for a credit loss that it incurs, less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group 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, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

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

4) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognizes 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 the derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument, which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(24) Financial liabilities and equity instruments

1) Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. Furthermore, the Group does not reassess such classification subsequent to the initial recognition unless the terms of the instrument change.

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

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

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

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

• It has been acquired principally for the purpose of repurchasing in the near term.
• On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking.
• It is a derivative that is not designated and effective as a hedging instrument.

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

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

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

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

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

Fair value is determined in the manner described in Note 42.

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

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

6) Financial guarantee contracts
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 measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

• The amount of the loss allowance determined in accordance with K-IFRS 1109 (see financial assets above) or
• The amount recognized initially, less cumulative amortization recognized in accordance with K-IFRS 1115.

7) Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'financial income and expenses' line item in profit or loss (see Notes 34 and 35) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

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

8) Derecognition of financial liabilities
The Group derecognizes financial liabilities when, and only when, its 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.

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

(25) Derivative financial instruments

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

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the 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 consolidated financial statements, unless the Group has both legally enforceable right and intention to offset. The impact of the master netting agreements on the Group's consolidated financial position is disclosed in Note 42. 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.

2) Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge) so that it meets the qualifying criteria again.

The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis. Those reclassified amounts are recognized in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in the cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

3) Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss, except when the hedging instrument hedges an equity instrument designated as at FVTOCI; in which case, it is recognized in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognized in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated as at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

4) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from the inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects some or all of the losses accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

(26) Accounting treatment related to the emission rights cap and trade scheme

The Group classifies the emission rights as intangible assets. Emission rights allowances the government allocated free of charge are measured at nil, and emission rights allowances purchased are measured at cost, which the Group paid to purchase the allowances. If emission rights the government allocated free of charge are sufficient to settle the emission rights allowances allotted for a vintage year, the emission liabilities are measured at nil. However, for the emission liabilities that exceed the allowances allocated free of charge, the shortfall is measured at the best estimate at the end of the reporting period.

3. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

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) Critical judgments in applying accounting policies

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

The Group has a 38.91% ownership interest in Shinsegae International Inc. During the last year; there was a change in the percentage of ownership due to the exchange of shares with Naver Co., Ltd. (see Note 45 (18)). The management of the Group made an assessment as to whether or not the Group has control over Shinsegae International Inc. in accordance with K-IFRS 1110 defining control and the related guidance at the time of the change in the percentage of ownership. The directors concluded that the Group has had control over Shinsegae International Inc. since its acquisition date on the basis of the agreement with other investor. Therefore, in accordance with the requirements of K-IFRS 1110, Shinsegae International Inc. has been a subsidiary of the Company. Details of these judgments are set out in Note 12.

(2) 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) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.
The carrying amount of goodwill as of December 31, 2022, is ₩410,952 million after an impairment loss of ₩1,750 million was recognized for the year ended December 31, 2022. Details of the impairment loss calculation are set out in Note 17.

2) Defined benefit plan

The Group's defined benefit obligation is determined based on the actuarial valuation carried out at the end of each annual reporting period. Actuarial assumptions are the Group's best estimates of the variables in determining the cost of providing postretirement benefits, such as discount rates, rates of expected future salary increases and mortality rates. Significant estimation uncertainty is likely to persist in making such assumptions due to the long-term nature of the postretirement benefit plan. Defined benefit liability of the plan as of December 31, 2022 and 2021, is ₩350,525 million and ₩344,705 million, respectively, as detailed in Note 25.

3) Valuation of financial instruments

As described in Note 42, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of the certain type of financial instruments. Note 42 provides detailed information about key assumptions used in the determination of the fair value of financial instruments as well as the detailed sensitivity analysis for these assumptions. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

4) Uncertainties in estimates used to measure recoverable amounts under the COVID-19 environment

With the COVID-19 pandemic, entities are experiencing a general economic downturn, and so does the Group, both directly and indirectly. The impact of COVID-19 continues as of the end of the reporting period, and it is unclear how long COVID-19 will last and how much its impact will be. Therefore, uncertainties exist in estimates used to measure recoverable amounts of assets or CGUs held by the Group due to COVID-19. Based on the information available as of the end of the reporting period, the Group estimated the recoverable amounts of its assets or CGUs where indications of impairment were identified, and the management of the Group determined that the assumptions used in those estimates are reasonable.

The key assumptions used to estimate recoverable amounts of assets (or CGUs) are as follows, where indications of impairment were identified and significant risks underlie therein. Such assumptions may lead to significant adjustments in the following fiscal year.

Description	CGUs	Investments in associates	CGUs to which goodwill has been allocated	
	Shinsegae DF	SSG.COM (*2)	Shinsegae Casa	Shinsegae DF Global
Basis used in measuring recoverable amount	Value in use	Fair value less costs to sell	Fair value less costs to sell	Value in use
Revenue growth rate (*1)	(36.4)–5.5%	10.6–19.3%	5.3–12.3%	11.2–118.1%
Terminal growth rate	1.0%	1.0%	1.0%	1.0%
Risk-free interest rate	Applied risk-free interest rate as of the valuation date.			
Market risk premium	Applied a five-year average value and the Korea Institute of Certified Public Accountants' disclosed Korea Market Risk Guidelines of 9.00% given the increased volatility of market returns due to heightened market uncertainties from COVID-19.			
Beta	Applied two- to five-year average value given the abnormal volatility of beta (ß) and heightened market uncertainties from COVID-19.			
Pretax discount rate	10.90%	10.67%	13.57%	10.90%

(*1) The Group determined the revenue growth rate based on past performance and market development expectations etc.

(*2) SSG.COM predicts that the construction and expansion of the distribution center, which is expected to occur over the next 10 years, will have a significant impact on cash flows, such as sales, and therefore, the estimated cash flow period is set to 10 years.

Based on estimates of the value in use of assets in which indications of an impairment were identified, the Group recognized an impairment loss of ₩1,442 million in property and equipment and impairment loss of ₩9,787 million, reversal of impairment loss of ₩2,948 million in right-of-use assets and impairment loss of ₩3,307 million in intangible assets during the current year as described in Notes 14, 16 and 17.

4. SEGMENT INFORMATION:

Management has determined the segment information based on the reports reviewed by the board of directors that are used to make strategic decisions. The board of directors considers the business from a geographic and sales method perspective.

(1) Details of segment information as of December 31, 2022, are as follows:

Type	Major business	Company and subsidiaries
Department store	Department store	Shinsegae Shinsegae Dongdaegu CTC Daejeon Shinsegae Gwangju Shinsegae
Wholesale and retail industry	Fashions, cosmetics and others	Shinsegae International Shinsegae Tomboy Shinsegae International Vietnam Co., Ltd. Shinsegae Casa Shinsegae France S.A.S PP Produits Prestiges SA Purcell Shinsegae Live Shopping
Real estate industry	Real estate lease, development, supply and others	Shinsegae Central City Seoul Express Bus Terminal
Hospitality	Hotel	Shinsegae Central City
Duty-free store	Duty-free stores	Shinsegae DF Shinsegae DF Global
Others	Others	Han je Shinsegae Casamia (Shanghai) Trading Co., Ltd. Jiyike Trading (Shanghai) Co., Ltd. Mindmark Silkwood Studio329 Signite Partners Inc. Smart Shinsegae Signite Venture Fund Smart Shinsegae Focus Venture Fund Shinsegae Wellness Venture Fund Signite-Thunder Venture Fund Signite-Rael Venture Fund

(2) Financial segment information as of and for the years ended December 31, 2022 and 2021, is as follows:

2022	Department store	Wholesale and retail industry	Real estate industry	Hospitality	Duty-free store	Others	Intercompany transactions	Total
	(In millions of Korean won)							
Sales	₩ 6,916,176	₩ 1,954,685	₩ 220,160	₩ 104,283	₩ 3,670,176	₩ 22,615	₩ (394,238)	₩ 12,493,857
Operating income (loss)	501,894	89,708	70,272	(434)	5,270	(6,428)	(14,833)	645,449
Depreciation	240,909	69,590	28,581	17,717	199,535	871	(11,257)	545,946
Amortization	5,764	13,509	528	105	5,747	31	6,576	32,260
Net income (loss)	356,629	80,906	65,822	(7,314)	(83,198)	624	134,171	547,640
Total assets	11,028,744	1,632,414	2,984,237	234,228	1,009,570	246,089	(2,786,870)	14,348,412
Total liabilities	5,483,008	687,344	1,085,430	263,611	729,617	29,944	(182,321)	8,096,633

2021	Department store	Wholesale and retail industry	Real estate industry	Hospitality	Duty-free store	Others	Intercompany transactions	Total
	(In millions of Korean won)							
Sales	₩ 5,469,660	₩ 1,691,643	₩ 197,855	₩ 65,173	₩ 3,090,872	₩ 34,804	₩ (337,268)	₩ 10,212,739
Operating income (loss)	321,404	82,917	70,290	(11,226)	77,503	(7,757)	(15,730)	517,401
Depreciation	229,346	71,953	28,116	16,162	300,392	1,165	(19,936)	627,198
Amortization	7,666	9,328	511	136	3,794	11	2,973	24,419
Net income (loss)	232,973	61,435	55,040	(9,729)	4,345	(4,646)	49,449	388,867
Total assets	10,273,458	1,402,634	2,928,968	241,898	1,298,945	138,797	(2,640,189)	13,644,511
Total liabilities	5,012,789	615,005	1,071,959	265,989	958,951	20,118	(62,752)	7,882,059

5. RESTRICTED FINANCIAL INSTRUMENTS:

Details of restricted financial instruments as of December 31, 2022 and 2021, are as follows:

Account	Bank	December 31, 2022	December 31, 2021	Restriction
		(In millions of Korean won)		
Other financial assets:				
Short-term financial instruments	Woori Bank and others	₩ 1	₩ 1	Deposit and others
Long-term financial instruments	Shinhan Bank and others	45	51	Guarantee deposits for checking accounts
Financial assets measured at FVTPL	Industrial Bank of Korea and others	35,350	21,400	Shared growth fund
		₩ 35,396	₩ 21,452	

6. TRADE AND OTHER ACCOUNTS RECEIVABLE:

(1) Details of trade and other accounts receivable as of December 31, 2022 and 2021, are as follows:

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
	(In millions of Korean won)			
Trade receivables	₩ 310,326	₩ -	₩ 275,046	₩ -
Less: Loss allowances	(916)	-	(2,137)	-
Trade receivables, net	309,410	-	272,909	-
Accounts receivable	250,075	1,387	201,819	1,162
Less: Loss allowances	(1,515)	-	(3,274)	-
Accounts receivable, net	248,560	1,387	198,545	1,162
Accrued income	1,361	-	512	-
	₩ 559,331	₩ 1,387	₩ 471,966	₩ 1,162

(2) Credit risk and loss allowance

The average credit period on sales of goods is 30–90 days. No interest is charged on outstanding trade receivables.

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

1) Details of the risk profile of trade receivables and other accounts receivable based on the Group's provision matrix as of December 31, 2022 and 2021, are as follows:

	December 31, 2022			
	Trade receivables	Accounts receivable	Accrued income	Total
	(In millions of Korean won)			
Total book value	₩ 310,326	₩ 251,462	₩ 1,361	₩ 563,149
Less:				
Individually assessed	(100,368)	(1,384)	-	(101,752)
Collectively assessed	209,958	250,078	1,361	461,397
ECL rate (*)	0.00%–1.00%	0.00%–0.01%	-	
Deduction:				
Lifetime ECL	(488)	(5)	-	(493)
Deduction:				
Individually assessed loss allowance	(428)	(1,510)	-	(1,938)
Net book value	₩ 309,410	₩ 249,947	₩ 1,361	₩ 560,718

(*) The Group did not classify the receivables by delinquency period as most receivables are normally recovered and the overdue receivables are insignificant.

	December 31, 2021			
	Trade receivables	Accounts receivable	Accrued income	Total
	(In millions of Korean won)			
Total book value	₩ 275,046	₩ 202,981	₩ 512	₩ 478,539
Less:				
Individually assessed	(96,076)	(4,795)	-	(100,871)
Collectively assessed	178,970	198,186	512	377,668
ECL rate (*)	0.00%–1.00%	0.00%–0.01%	-	
Deduction:				
Lifetime ECL	(234)	(3)	-	(237)
Deduction:				
Individually assessed loss allowance	(1,903)	(3,271)	-	(5,174)
Net book value	₩ 272,909	₩ 199,707	₩ 512	₩ 473,128

(*) The Group did not classify the receivables by delinquency period as most receivables are normally recovered and the overdue receivables are insignificant.

2) Details of changes in loss allowance for the years ended December 31, 2022 and 2021, are as follows:

	2022			
	Not credit impaired			
	Collectively assessed	Individually assessed	Credit impaired	Total
	(In millions of Korean won)			
Beginning balance	₩ 180	₩ 3,272	₩ 1,959	₩ 5,411
Net remeasurement of loss allowance	179	(73)	(695)	(589)
Changes due to business combination	94	-	-	94
Reclassification	-	(1,937)	1,937	-
Write-off	-	(419)	(2,067)	(2,486)
Others	(7)	-	-	-
Ending balance	₩ 446	₩ 843	₩ 1,134	₩ 2,430

	2021			
	Not credit impaired			
	Collectively assessed	Individually assessed	Credit impaired	Total
	(In millions of Korean won)			
Beginning balance	₩ 20	₩ 3,556	₩ 194	₩ 3,770
Net remeasurement of loss allowance	128	(141)	1,765	1,752
Changes due to business combination	67	-	-	67
Write-off	(35)	(143)	-	(178)
Ending balance	₩ 180	₩ 3,272	₩ 1,959	₩ 5,411

3) A significant change in the total carrying amount of trade receivables and other accounts receivable has no effect on the change in the loss allowance in the current year.

7. FINANCIAL ASSETS MEASURED AT FVTPL:

Details of financial assets measured at FVTPL as of December 31, 2022 and 2021, are as follows:

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
	(In millions of Korean won)			
Convertible bonds for investment	₩ -	₩ 5,660	₩ -	₩ -
Shared growth fund	10,000	22,600	-	20,600
Redeemable convertible preference shares	-	80,222	-	36,531
Marketable equity securities	-	2,589	-	5,497
Non-marketable equity securities	15,924	33,019	-	11,380
Investment cooperative	-	3,585	-	1,800
Other liabilities securities	52,937	2,870	-	-
	₩ 78,861	₩ 150,545	₩ -	₩ 75,808

8. FINANCIAL ASSETS MEASURED AT FVTOCI:

(1) Details of financial assets measured at FVTOCI as of December 31, 2022 and 2021, are as follows:

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
	(In millions of Korean won)			
Equity instruments:				
Marketable equity securities	₩ -	₩ 373,393	₩ -	₩ 380,256
Non-marketable equity securities	-	2,717	-	717
	₩ -	₩ 376,110	₩ -	₩ 380,973

(2) Details of marketable equity securities as of December 31, 2022 and 2021, are as follows:

	December 31, 2022				December 31, 2021
Description	Number of shares	Percentage of ownership (%)	Acquisition cost	Carrying amount	Carrying amount
			(In millions of Korean won)		
Samsung Card	38,998	0.03	₩ 1,485	₩ 1,152	₩ 1,228
Samsung Life Insurance	4,381,333	2.19	857	311,075	280,844
Naver	259,404	0.16	100,000	46,044	98,184
Seoul Auction	856,767	4.82	28,000	15,122	-
			₩ 130,342	₩ 373,393	₩ 380,256

(3) Details of non-marketable equity securities as of December 31, 2022 and 2021, are as follows:

	December 31, 2022				December 31, 2021
Description	Number of shares	Percentage of ownership (%)	Acquisition cost	Carrying amount	Carrying amount
			(In millions of Korean won)		
Samsung Lions	29,000	14.50	₩ 145	₩ 145	₩ 145
The Korea Economic Daily	21,282	0.11	251	251	251
Joongang Ilbo	3,462	0.05	132	132	132
Seoul Auction Blue	22,394	3.57	2,000	2,000	-
Construction Guarantee Cooperative	94	-	138	138	138
Korea Specialty Contractor Financial Cooperative	56	-	51	51	51
			₩ 2,717	₩ 2,717	₩ 717

9. OTHER FINANCIAL ASSETS:

Details of other financial assets as of December 31, 2022 and 2021, are as follows:

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
	(In millions of Korean won)			
Short-term financial instruments	₩ 85,505	₩ -	₩ 58,663	₩ -
Long-term financial instruments	-	8,045	-	51
Loans	891	8,365	955	8,407
Leasehold deposits	4,810	656,206	1,405	651,283
	₩ 91,206	₩ 672,616	₩ 61,023	₩ 659,741

There is no other financial asset past due or impaired for the years ended December 31, 2022 and 2021.

10. INVENTORIES:

(1) Details of inventories as of December 31, 2022 and 2021, are as follows:

	December 31, 2022			December 31, 2021		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
	(In millions of Korean won)					
Merchandise (*)	₩ 788,036	₩ (66,833)	₩ 721,203	₩ 686,247	₩ (75,975)	₩ 610,272
Finished goods	67,228	(11,034)	56,194	67,349	(11,768)	55,581
Work in progress	1,374	-	1,374	1,628	-	1,628
Raw materials	5,246	(231)	5,015	4,033	(261)	3,772
Supplies	17,728	-	17,728	8,183	-	8,183
Goods in transit	63,861	-	63,861	76,532	-	76,532
	₩ 943,473	₩ (78,098)	₩ 865,375	₩ 843,972	₩ (88,004)	₩ 755,968

(*) Including right to returned goods asset, amounting to ₩800 million and ₩493 million as of December 31, 2022 and 2021, respectively.

The cost of inventories recognized as an expense for the year ended December 31, 2022, is reduced by ₩9,906 million in respect of the reversal of valuation losses to net realizable value, and for the year ended December 31, 2021, has included the valuation losses of ₩3,888 million as a reduction of inventories to net realizable value.

(2) Inventories are insured against fire and other casualty losses for up to ₩1,956,307 million and ₩2,086,411 million as of December 31, 2022 and 2021, respectively, by Samsung Fire & Marine Insurance Co., Ltd. and others.

11. FINANCE LEASE RECEIVABLES:

(1) Details of finance lease receivables as of December 31, 2022 and 2021, are as follows:

	December 31, 2022				December 31, 2021			
	Undiscounted lease payments		Net investment in the lease		Undiscounted lease payments		Net investment in the lease	
	(In millions of Korean won)							
Current assets	₩	136	₩	135	₩	336	₩	332
Non-current assets		88		85		224		216
	₩	224	₩	220	₩	560	₩	548

(2) Details of amounts receivable under finance leases as of December 31, 2022 and 2021, are as follows:

	December 31, 2022				December 31, 2021			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	(In millions of Korean won)							
Less than 1 year	₩	136	₩	135	₩	336	₩	332
1 year–2 years		88		85		136		132
2 years–3 years		-		-		88		84
		224		220		560		548
Less: Unearned financial income		(4)		-		(12)		-
Net investment in the lease	₩	220	₩	220	₩	548	₩	548

Amounts recognized in profit or loss for the years ended December 31, 2022 and 2021, are as follows:

	2022		2021	
	(In millions of Korean won)			
Financial income on the net investment in finance leases	₩	8	₩	15
Income relating to variable lease payments not included in the net investment in finance leases		-		-
	₩	8	₩	15

The interest rate implicit is 1.94%–2.28% per annum.

(3) Impairment of finance lease receivables

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

12. SUBSIDIARIES:

(1) Details of subsidiaries as of December 31, 2022 and 2021, are as follows:

Subsidiaries	Location	Main business	Fiscal year end	Percentage of ownership (%) (*4) December 31, 2022	December 31, 2021
Shinsegae International (*1)	Korea	Clothing manufacturing and retail	December 31	38.91	38.91
Shinsegae DF	Korea	Duty-free store	December 31	100.00	100.00
Shinsegae Dongdaegu CTC	Korea	Retail	December 31	60.99	60.99
Daejeon Shinsegae	Korea	Retail	December 31	100.00	100.00
Shinsegae Tomboy	Korea	Clothing manufacturing and retail	December 31	95.78	95.78
Shinsegae Central City	Korea	Leasing real estate	December 31	60.02	60.02
Seoul Express Bus Terminal	Korea	Passenger terminal operation and leasing real estate	December 31	70.49	67.89
Han je Shinsegae	China	Advisory service	December 31	100.00	100.00
Jiyike Trading (Shanghai) Co., Ltd.	China	Clothing retail	December 31	100.00	100.00
Shinsegae DF Global	Korea	Duty-free store	December 31	100.00	100.00
Shinsegae International Vietnam Co., Ltd.	Vietnam	Clothing manufacturing and retail	December 31	100.00	100.00
Shinsegae Casa	Korea	Furniture manufacturing and retail	December 31	96.60	95.68
Casamia (Shanghai) Trading Co., Ltd.	China	Trading	December 31	100.00	100.00
Shinsegae France S.A.S (*2)	France	Retail	December 31	-	100.00
Shinsegae Live Shopping (*5, 6)	Korea	Online retail service	December 31	76.08	-
Mindmark	Korea	Information and communication	December 31	100.00	100.00
Silkwood	Korea	Broadcast program production and supply	December 31	58.05	58.05
Studio329	Korea	Broadcast program production and supply	December 31	55.13	55.13
Signite Partners Inc.	Korea	Financial investment	December 31	100.00	100.00
Smart Shinsegae Signite Venture Fund	Korea	Financial investment	December 31	58.80	58.80
PP Produits Prestiges SA.	Switzerland	Cosmetic distribution	December 31	100.00	100.00
Smart Shinsegae Focus Venture Fund (*2)	Korea	Financial investment	December 31	50.00	50.00
Gwangju Shinsegae	Korea	Department store	December 31	62.50	62.50
Purcell (*1)	Korea	Cosmetic manufacturing and retail	December 31	36.92	36.92
Shinsegae Wellness Venture Fund	Korea	Financial investment	December 31	50.55	50.55
Signite-Thunder Venture Fund	Korea	Financial investment	December 31	100.00	100.00
Signite-Rael Venture Fund (*3)	Korea	Financial investment	December 31	55.79	-

(*1) As of December 31, 2022 and 2021, as the Company has control over Shinsegae International Inc. by means of an agreement with other investors, it has been classified as a subsidiary.
(*2) During the current year, the Company was liquidated and excluded from the scope of subsidiaries.
(*3) During the current year, newly established.
(*4) This is the total percentage of shares held by the entities in the Group.
(*5) During the current year, the Company was newly included in the scope of subsidiaries.
(*6) According to the long-term loan agreement with Korea Development Bank, disposal of shares in Shinsegae Live Shopping, a subsidiary, and provision of collateral to third parties are restricted.(Notes 21 and 45)

(2) Although the Group has more than 50% of ownership, investee excluded from the consolidation as of December 31, 2022 and 2021, is as follows:

Investee	Percentage of ownership (%) December 31, 2022	Percentage of ownership (%) December 31, 2021	Reason
Incheon Shinsegae	92.65	90.00	Losing control over the subsidiary due to joint controls of other investors

(3) Subsidiaries newly included in the consolidation for the year ended December 31, 2022, are as follows:

Investee	Reason
Signite-Rael Venture Fund	Newly established
Shinsegae Live Shopping	Acquisition of shares

(4) Subsidiaries newly excluded from the consolidation for the year ended December 31, 2022, are as follows:

Investee	Reason
Shinsegae France S.A.S	Liquidation

(5) Ownership interest held by non-controlling interests, the financial position, the results of operations and the amount of dividends attributable to non-controlling interest for the year ended December 31, 2022, are as fol lows:

Investee	Percentage of ownership held by non-controlling interests (%)	Cumulative non-controlling interests	Net income (loss) attributable to non-controlling interests	Comprehensive income (loss) attributable to non-controlling interests	Dividends paid to non-controlling interests
		(In millions of Korean won)			
Shinsegae International (*1)	61.09	₩ 514,258	₩ 72,770	₩ 76,571	₩ 6,543
Shinsegae Dongdaegu CTC	39.01	200,448	22,114	22,275	4,643
Shinsegae Central City (*1)	39.98	1,062,725	27,450	27,788	8,310
Shinsegae Casa (*1)	3.40	3,312	(973)	(918)	-
Silkwood	41.95	(1,777)	(205)	(205)	-
Studio329	44.87	697	232	232	-
Signite Partners Inc.	38.54	(705)	(1,195)	(1,208)	-
Smart Shinsegae Signite Venture Fund (*2)	19.31	1,195	1,323	1,323	-
Smart Shinsegae Focus Venture Fund (*2)	6.65	(21)	(8)	(8)	-
Gwangju Shinsegae	37.50	331,591	20,943	21,199	5,027
Purcell	63.08	2,552	(1,199)	(1,192)	-
Shinsegae Wellness Venture Fund (*2)	30.63	(141)	(108)	(108)	-
Signite-Thunder Venture Fund	0.39	(2)	(2)	(2)	-
Shinsegae Live Shopping	23.92	23,976	433	704	-
		₩ 2,138,108	₩ 141,575	₩ 146,451	₩ 24,523

(*1) The information has been prepared by consolidated financial statements of the subsidiary.
(*2) The percentage of ownership held by non-controlling interests was calculated, excluding non-controlling interests classified as financial liabilities.

Ownership interest held by non-controlling interests means the shares are not attributable directly or indirectly to the owner of the Company. Therefore, there may be differences in shareholding ratio calculated by subtracting the subsidiaries within the Group with respect to its own shares held by the simple sum of ownership interest from 100% of the shares in each subsidiary.

(6) Details of transactions in which the parent company's ownership stake in the subsidiary increased without losing control during the current year and the impact on the capital attributed to the parent company's owner are as follows:

Investee	Percentage of ownership before transactions(%)	Percentage of ownership after transactions(%)	Acquisition of shares (A)	Changes in non-controlling interests (B)	Changes in other paid-in capital (A-B)
			(In millions of Korean won)		
Seoul Express Bus Terminal	67.89	70.49	₩ (25,000)	₩ (24,869)	₩ (131)
Shinsegae Casa	95.68	96.60	₩ 84	₩ (61)	₩ 145

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Details of the Group's investments in associates and joint ventures as of December 31, 2022 and 2021, are as follows:

					December 31, 2022		
Investee	Type	Location	Main business	Fiscal year end	Percentage of ownership (%)	Acquisition cost	Carrying amount
						(In millions of Korean won)	
Shinsegae Simon	Joint venture	Korea	Construction and renting business of high-end brand outlet store	December 31	50.00	₩ 26,000	₩ 206,185
Incheon Shinsegae (*1)	Joint venture	Korea	Retail	December 31	92.65	104,837	40,281
Shinsegae Uijeongbu Station Development (*2)	Associate	Korea	Construction and management of privatized train station	December 31	52.55	2,102	-
SSG.COM	Associate	Korea	Online retail	December 31	24.42	814,143	719,634
Suseo Station Transfer Complex Center Development (*3)	Associate	Korea	Construction and management of privatized train station	December 31	14.19	7,140	6,050
RCC (formerly Rawrow)	Associate	Korea	Miscellaneous goods retail	December 31	35.00	1,680	2,037
						₩ 955,902	₩ 974,187

(*1) The Company entered into a joint business agreement with the other investor and classified Incheon Shinsegae as a joint venture.
(*2) The Company has judged not to control Shinsegae Uijeongbu Station Development due to the agreement with the other investor and classified it as an associate.
(*3) Although the shareholding ratio that the Company directly holds is less than 20%, it is classified as an associate because it has the right to participate in major decision-making bodies of the investee company according to the shareholder agreement.

					December 31, 2021		
Investee	Type	Location	Main business	Fiscal year end	Percentage of ownership (%)	Acquisition cost	Carrying amount
						(In millions of Korean won)	
Shinsegae Simon	Joint venture	Korea	Construction and renting business of high-end brand outlet store	December 31	50.00	₩ 26,000	₩ 198,958
Incheon Shinsegae (*1)	Joint venture	Korea	Retail	December 31	90.00	74,702	27,572
Shinsegae Uijeongbu Station Development (*3)	Associate	Korea	Construction and management of privatized train station	December 31	52.55	2,102	-
Celine Shinsegae (*4)	Associate	Korea	Retail business of clothing and miscellaneous goods	December 31	-	-	-
SSG.COM	Associate	Korea	Online retail	December 31	26.84	814,143	747,708
RCC (formerly Rawrow)	Associate	Korea	Miscellaneous goods retail	December 31	35.00	1,680	1,917
						₩ 918,627	₩ 976,155

(*1) The Company entered into a joint business agreement with the other investor and classified Incheon Shinsegae as a joint venture.
(*2) It was reclassified from associates to subsidiaries due to the acquisition of shares during the current year.
(*3) The Company has judged not to control Shinsegae Uijeongbu Station Development due to the agreement with the other investor and classified it as an associate.
(*4) During the current year, Celine Shinsegae was liquidated and excluded from the associates.

(2) Details of changes in the investments in associates and joint ventures for the years ended December 31, 2022 and 2021, are as follows:

		2022					
Type	Investee	Beginning balance	Share of profits (losses)	Dividend received	Acquisition	Others	Ending balance
Joint venture	Shinsegae Simon	₩ 198,958	₩ 32,664	₩ (27,014)	₩ -	₩ 1,577	₩ 206,185
Joint venture	Incheon Shinsegae	27,572	(17,426)	-	30,135	-	40,281
Associate	Shinsegae Uijeongbu Station Development	-	-	-	-	-	-
Associate	SSG.COM	747,708	(37,151)	-	-	9,077	719,634
Associate	Suseo Station Transfer Complex Center Development	-	(1,090)	-	7,140	-	6,050
Associate	RCC(Formerly, Rawrow)	1,917	120	-	-	-	2,037
		₩ 976,155	₩ (22,883)	₩ (27,014)	₩ 37,275	₩ 10,654	₩ 974,187

		2021					
Type	Investee	Beginning balance	Share of profits (losses)	Dividend received	Disposal(*)	Others	Ending balance
Joint venture	Shinsegae Simon	₩ 183,486	₩ 29,065	₩ (14,885)	₩ -	₩ 1,292	₩ 198,958
Joint venture	Incheon Shinsegae	41,471	(13,899)	-	-	-	27,572
Associate	Gwangju Shinsegae	72,734	3,857	(583)	(76,010)	2	-
Associate	Shinsegae Uijeongbu Station Development	-	-	-	-	-	-
Associate	Celine Shinsegae	3	-	-	(3)	-	-
Associate	SSG.COM	776,940	(30,263)	-	-	1,031	747,708
Associate	RCC(Formerly, Rawrow)	2,015	(98)	-	-	-	1,917
		₩ 1,076,649	₩ (11,338)	₩ (15,468)	₩ (76,013)	₩ 2,325	₩ 976,155

(*) During the current year, the Group gained control over Gwangju Shinsegae by acquiring additional shares and it was reclassified from associates to subsidiaries. The Group remeasured its previous stake in the acquiree at the fair value of the acquisition date and, as a result, recognized losses on the disposal of investment in associates in the consolidated income statement.

(3) Details of adjustments from investees' net assets to carrying amount as of December 31, 2022 and 2021, are as follows:

Investee	December 31, 2022 Net assets (A)	Percentage of ownership (B)	Net assets of the Group (A X B)	Goodwill and others	Internal transaction elimination	Others	Carrying amount
			(In millions of Korean won)				
Shinsegae Simon	₩ 412,434	50.00%	₩ 206,217	₩ -	₩ (55)	₩ 23	₩ 206,185
Incheon Shinsegae	41,251	92.65%	38,221	2,060	-	-	40,281
Shinsegae Uijeongbu Station Development	(4,488)	52.55%	-	-	-	-	-
SSG.COM	1,541,094	24.42%	376,401	343,233	-	-	719,634
Suseo Station Transfer Complex Center Development	42,619	14.19%	6,050	-	-	-	6,050
RCC(formerly Rawrow)	3,319	34.65%	1,149	888	-	-	2,037

Investee	December 31, 2021 Net assets (A)	Percentage of ownership (B)	Net assets of the Group (A X B)	Goodwill and others	Internal transaction elimination	Others	Carrying amount
			(In millions of Korean won)				
Shinsegae Simon	₩ 398,284	50.00%	₩ 199,142	₩ -	₩ (56)	₩ (128)	₩ 198,958
Incheon Shinsegae	30,636	90.00%	27,572	-	-	-	27,572
Shinsegae Uijeongbu Station Development	(9,865)	52.55%	-	-	-	-	-
SSG.COM	1,353,846	26.84%	363,371	384,337	-	-	747,708
RCC (formerly Rawrow)	2,971	35.00%	1,029	888	-	-	1,917

The Group has taken the reliability verification procedures as it applied the equity method using the investees' preliminary consolidated financial statements.

(4) Details of the cumulated unrecognized equity changes in the investments as of December 31, 2022 and 2021, are as follows:

Investee	December 31, 2022		December 31, 2021	
	Unrecognized share of income	Unrecognized share of other comprehensive loss	Unrecognized share of income	Unrecognized share of other comprehensive loss
	(In millions of Korean won)			
Shinsegae Uijeongbu Station Development	₩ 3,792	₩ (1,433)	₩ 6,599	₩ (1,426)

14. PROPERTY AND EQUIPMENT:

(1) Details of property and equipment as of December 31, 2022 and 2021, are as follows:

	December 31, 2022				
	Land	Buildings and structures	Construction in progress	Others	Total
	(In millions of Korean won)				
Acquisition cost	₩ 3,661,004	₩ 3,583,898	₩ 248,381	₩ 1,839,544	₩ 9,332,827
Government grants	-	(238)	-	(653)	(891)
Accumulated impairment	-	-	-	(2,341)	(2,341)
Accumulated depreciation	-	(1,158,289)	-	(1,159,986)	(2,318,275)
Carrying amount	₩ 3,661,004	₩ 2,425,371	₩ 248,381	₩ 676,564	₩ 7,011,320

	December 31, 2021				
	Land	Buildings and structures	Construction in progress	Others	Total
	(In millions of Korean won)				
Acquisition cost	₩ 3,660,685	₩ 3,556,161	₩ 125,747	₩ 1,702,906	₩ 9,045,499
Government grants	-	(244)	-	(707)	(951)
Accumulated impairment	-	-	-	(2,341)	(2,341)
Accumulated depreciation	-	(1,034,878)	-	(1,064,333)	(2,099,211)
Carrying amount	₩ 3,660,685	₩ 2,521,039	₩ 125,747	₩ 635,525	₩ 6,942,996

(2) Details of changes in property and equipment for the years ended December 31, 2022 and 2021, are as follows:

	2022				
	Land	Buildings and structures	Construction in progress	Others	Total
	(In millions of Korean won)				
Beginning balance	₩ 3,660,685	₩ 2,521,039	₩ 125,747	₩ 635,525	₩ 6,942,996
Acquisition (*1)	338	4,799	257,314	126,044	388,495
Disposal	(19)	(610)	(6,868)	(11,604)	(19,101)
Depreciation	-	(105,913)	-	(177,671)	(283,584)
Transfer (*2)	-	6,056	(128,585)	104,145	(18,384)
Other	-	-	-	11	11
Impairment loss	-	-	-	(1,442)	(1,442)
Business combination	-	-	773	1,556	2,329
Ending balance	₩ 3,661,004	₩ 2,425,371	₩ 248,381	₩ 676,564	₩ 7,011,320

(*1) Including ₩3,762 million of borrowing costs directly attributable to the acquisition of qualifying assets for the year ended December 31, 2022. The capitalization rate used to determine the amount of capitalized borrowing costs is 1.47%-2.90%.

(*2) Including ₩8,684 million between tangible assets and investment property, ₩9,639 million between tangibles assets and intangible assets and ₩61 million between tangible assets and other assets.

	2021				
	Land	Buildings and structures	Construction in progress	Others	Total
	(In millions of Korean won)				
Beginning balance	₩ 3,533,166	₩ 2,045,833	₩ 450,776	₩ 573,843	₩ 6,603,618
Acquisition (*1)	-	39,477	440,332	86,375	566,184
Disposal	(9)	(1,275)	(6,324)	(37,905)	(45,513)
Depreciation	-	(92,389)	-	(184,836)	(277,225)
Transfer (*2)	(7,693)	511,480	(761,271)	175,370	(82,114)
Other	-	-	-	(32)	(32)
Business combination	135,221	17,913	2,234	22,710	178,078
Ending balance	₩ 3,660,685	₩ 2,521,039	₩ 125,747	₩ 635,525	₩ 6,942,996

(*1) Including ₩9,566 million of borrowing costs directly attributable to the acquisition of qualifying assets for the year ended December 31, 2021. The capitalization rate used to determine the amount of capitalized borrowing costs is 1.47%-3.28%.

(*2) Including ₩17,554 million between tangible assets and investment property, ₩31,140 million between construction in progress and intangible assets, ₩31,187 million between tangible assets and right-of-use assets and ₩2,233 million between tangible assets and other assets.

(3) As of December 31, 2022, land and buildings are pledged as collateral for contracts on borrowings and others with the maximum credit line amounting to ₩273,842 million and USD 20,400,000 (see Notes 21 and 45). The Group has entered into a contract to establish the right of pledge on insurance right relating to the Dongdaegu Transit Center buildings and others (the maximum credit line: ₩192 billion) and a contract to transfer all rights to the mortgaged property for the purpose of providing collateral for the loan agreement.

The Seoul Metropolitan Rapid Transit Corporation and others established the surface rights for some land of the Group (see Notes 15 and 45).

(4) As of December 31, 2022 and 2021, property and equipment and investment property of the Group are insured against fire and other casualty losses for up to ₩6,479,788 million and ₩6,269,330 million, respectively, by insurance companies. Also, the Group carries comprehensive insurance against accidents and for the Group's vehicles.

15. INVESTMENT PROPERTY:

(1) Details of investment property as of December 31, 2022 and 2021, are as follows:

	December 31, 2022		
	Land	Buildings	Total
	(In millions of Korean won)		
Acquisition cost	₩ 467,118	₩ 348,331	₩ 815,449
Accumulated depreciation	-	(90,843)	(90,843)
Carrying amount	₩ 467,118	₩ 257,488	₩ 724,606

	December 31, 2021		
	Land	Buildings	Total
	(In millions of Korean won)		
Acquisition cost	₩ 467,118	₩ 346,078	₩ 813,196
Accumulated depreciation	-	(80,995)	(80,995)
Carrying amount	₩ 467,118	₩ 265,083	₩ 732,201

(2) Details of changes in investment property for the years ended December 31, 2022 and 2021, are as follows:

	2022		
	Land	Buildings	Total
	(In millions of Korean won)		
Beginning balance	₩ 467,118	₩ 265,083	₩ 732,201
Acquisition	-	3,260	3,260
Disposal	-	(162)	(162)
Depreciation	-	(19,377)	(19,377)
Transfer (*)	-	8,684	8,684
Business combination	-	-	-
Ending balance	₩ 467,118	₩ 257,488	₩ 724,606

(*) The replacement amount between tangible assets and investment property.

	2021		
	Land	Buildings	Total
	(In millions of Korean won)		
Beginning balance	₩ 363,883	₩ 239,792	₩ 603,675
Acquisition	88,760	7,640	96,400
Disposal	(2,538)	-	(2,538)
Depreciation	-	(17,817)	(17,817)
Transfer (*)	17,013	541	17,554
Business combination	-	34,927	34,927
Ending balance	₩ 467,118	₩ 265,083	₩ 732,201

(*) The replacement amount between tangible assets and investment property.

(3) Details of income and expenses from investment property for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
	(In millions of Korean won)	
Rental income	₩ 73,024	₩ 63,654
Operating expenses	(20,419)	(20,118)
	₩ 52,605	₩ 43,536

(4) Details of the fair value of investment property as of December 31, 2022 and 2021, are as follows:

	December 31, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In millions of Korean won)			
Land	₩ 467,118	₩ 702,133	₩ 467,118	₩ 666,299
Buildings	257,487	377,454	265,083	369,235
	₩ 724,605	₩ 1,079,587	₩ 732,201	₩ 1,035,534

The fair value of investment property is based on the valuation performed by an appraisal entity, an independent external real estate appraisal, with appropriate qualifications and experience in relation to the assessment of real estate in that area and the valuation reflecting the officially assessed price, the standard price and the recent similar transaction price available.

The investment property's fair values are categorized into Level 3 based on the inputs to the fair value measurements.

(5) As of December 31, 2022, some land and buildings of the Group are subject to surface rights and others of Seoul Metropolitan Rapid Transit Corporation (see Notes 14 and 45).

(6) All of the investment properties are owned by the Group.

16. RIGHT-OF-USE ASSETS:

(1) Details of right-of-use assets as of December 31, 2022 and 2021, are as follows:

	December 31, 2022	December 31, 2021
	(In millions of Korean won)	
Land	₩ 363,106	₩ 373,402
Buildings	670,564	1,073,609
Others	370	1,102
	₩ 1,034,040	₩ 1,448,113

(2) Details of changes in right-of-use assets for the years ended December 31, 2022 and 2021, are as follows:

	2022			
	Land	Buildings	Others	Total
	(In millions of Korean won)			
Beginning balance	₩ 373,402	₩ 1,073,609	₩ 1,102	₩ 1,448,113
Increase	5,689	58,499	256	64,444
Decrease (*)	(2,624)	(233,825)	(217)	(236,666)
Depreciation	(13,361)	(228,834)	(820)	(243,015)
Impairment loss	-	(9,787)	-	(9,787)
Reversal of impairment loss	-	2,948	-	2,948
Business combination	-	7,929	50	7,979
Others	-	25	(1)	24
Ending balance	₩ 363,106	₩ 670,564	₩ 370	₩ 1,034,040

(*) Including ₩25 million transferred to assets held for sale

	2021			
	Land	Buildings	Others	Total
	(In millions of Korean won)			
Beginning balance	₩ 355,037	₩ 1,424,752	₩ 1,540	₩ 1,781,329
Increase (*)	30,804	31,899	1,119	63,822
Decrease	-	(32,032)	(254)	(32,286)
Depreciation	(12,439)	(318,390)	(1,327)	(332,156)
Impairment loss	-	(104,233)	-	(104,233)
Reversal of impairment loss	-	17,414	-	17,414
Business combination	-	54,123	24	54,147
Others	-	76	-	76
Ending balance	₩ 373,402	₩ 1,073,609	₩ 1,102	₩ 1,448,113

(*) Including ₩31,187 million transferred from tangible assets.

(3) Amounts recognized in profit and loss for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
	(In millions of Korean won)	
Depreciation expense on right-of-use assets	₩ 243,015	₩ 332,156
Impairment loss on right-of-use assets	9,787	104,233
Reversal of impairment loss on right-of-use assets	(2,948)	(17,414)
Interest expense on lease liabilities	38,351	43,355
Expenses relating to short-term leases and leases of low-value assets	31,970	38,806
Expenses relating to variable rents not included in the measurement of the lease liabilities	124,276	50,551
Profit or loss recognized by applying the practical expedient for rent concessions, etc., arising as a result of the COVID-19 pandemic(*)	(151,340)	(339,361)
Income from subleasing right-of-use assets	(8)	(15)

(*) The effect of applying a practical expedient that does not evaluate whether rent concessions that occurred as a direct result of the COVID-19 global epidemic are subject to lease modification. From March to June 2020, the minimum rent of the Incheon Airport Duty-Free Shop was exempted by 50%, and it was agreed to pay rent of the Incheon Airport Duty-Free Shop in proportion to sales from September 2020 to June 2022. The effect of the rent concessions was deducted from selling and administrative expenses.

The total cash outflow for leases amounts to ₩261,394 million and ₩288,274 million for the years ended December 31, 2022 and 2021, respectively.

17. INTANGIBLE ASSETS:

(1) Details of intangible assets as of December 31, 2022 and 2021, are as follows:

	December 31, 2022							
	Industrial property rights		Goodwill		Others		Total	
	(In millions of Korean won)							
Acquisition cost	₩	14,438	₩	469,756	₩	369,496	₩	853,690
Accumulated amortization		(7,617)		-		(164,031)		(171,648)
Accumulated impairment		-		(58,803)		(2,710)		(61,513)
Carrying amount	₩	6,821	₩	410,953	₩	202,755	₩	620,529

	December 31, 2021							
	Industrial property rights		Goodwill		Others		Total	
	(In millions of Korean won)							
Acquisition cost	₩	12,614	₩	322,314	₩	277,814	₩	612,742
Accumulated amortization		(6,467)		-		(115,121)		(121,588)
Accumulated impairment		-		(58,902)		(4,075)		(62,977)
Carrying amount	₩	6,147	₩	263,412	₩	158,618	₩	428,177

(2) Details of changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

	2022							
	Industrial property rights		Goodwill		Others		Total	
	(In millions of Korean won)							
Beginning balance	₩	6,147	₩	263,412	₩	158,618	₩	428,177
Acquisition		112		151,504		67,622		219,238
Disposal		(7)		-		(7,187)		(7,194)
Amortization		(1,059)		-		(31,201)		(32,260)
Impairment loss		-		(1,750)		(1,841)		(3,591)
Transfer (*)		1,601		(2,213)		7,837		7,225
Business combination		27		-		8,889		8,916
Others		-		-		18		18
Ending balance	₩	6,821	₩	410,953	₩	202,755	₩	620,529

(*) Including ₩9,639 million transfer between tangible assets and intangible assets,₩2,314 million transfer between intangible assets and assets held for sale and ₩100 million transfer between intangible assets and other assets.

	2021							
	Industrial property rights		Goodwill		Others		Total	
	(In millions of Korean won)							
Beginning balance	₩	6,056	₩	263,630	₩	112,082	₩	381,768
Acquisition		193		-		12,232		12,425
Disposal		(8)		-		(2,422)		(2,430)
Amortization		(872)		-		(23,547)		(24,419)
Impairment loss		-		(320)		(136)		(456)
Transfer (*)		778		102		30,080		30,960
Others		-		-		(12)		(12)
Business combination		-		-		30,341		30,341
Ending balance	₩	6,147	₩	263,412	₩	158,618	₩	428,177

(*) Including ₩31,140 million transfer between tangible assets and intangible assets and ₩180 million transfer between intangible assets and other assets.

(3) Details of the Group's impairment test of goodwill as of December 31, 2022 and 2021, are as follows:

Goodwill has been reviewed by the management at the operating segment level (CGUs or group of CGUs). The following is a summary of goodwill allocation for each operating segment:

	December 31, 2022		December 31, 2021	
	(In millions of Korean won)			
Shinsegae International	₩	1,975	₩	1,975
Shinsegae Gangnam store		48,272		48,272
Shinsegae Central City (Real estate sector)		110,368		110,368
Central Tourist Development (Hotel sector)		8,009		8,009
Shinsegae Tomboy		7,018		7,018
Shinsegae Live Shopping		151,504		-
Seoul Express Bus Terminal		29,289		29,289
Shinsegae DF Global		42,957		42,957
Shinsegae Casa		-		1,750
Silkwood		-		2,214
Studio329		3,986		3,986
PP Produits Prestiges SA		7,574		7,473
	₩	410,952	₩	263,311

The Group performs impairment tests of goodwill annually. In the current year, impairment test suggests that the carrying amount of CGUs does not exceed the recoverable amount, except for goodwill allocated to Silkwood. The recoverable amounts of all CGUs have been determined based on the value in use and net fair value calculations. Some calculations of value in use and net fair value of CGUs use pretax cash flow projections based on financial budgets approved by the management for the consecutive future five-year period. Some calculations of net fair value of CGUs use recoverable amounts of an asset's fair value, less costs of disposal. The key assumptions used for value in use and some net fair value calculations in 2022 are as follows:

	Revenue growth rate (*1)	Terminal growth rate (*2)	Pretax discount rate (*3)
Shinsegae Gangnam store	4.9%	0.0%	10.94%
Shinsegae Tomboy	1.8%–6.2%	1.0%	15.20%
Shinsegae DF Global	11.2%–118.1%	1.0%	10.90%
Shinsegae Casa	5.3%–12.3%	1.0%	13.57%
Studio329	3.9%–151.6%	1.0%	17.90%
PP Produits Prestiges SA	2.7%–10.1%	1.0%	13.19%
Shinsegae Live Shopping	5.7%–6.0%	1.0%	13.86%

(*1) Weighted-average revenue growth rate used to extrapolate cash flows for the five-year period is measured based on past performance and expectations for market development.
(*2) Terminal growth rate estimated after five-year period.
(*3) Pretax discount rate applied to the cash flow projections.

The Group determined revenue growth rate based on past performance and its expectations of market development. The weighted-average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pretax and reflect specific risks relating to the relevant operating segments.

Considering the characteristic of Shinsegae Central City's business, the Group uses the net fair value of the CGU, Shinsegae Central City, for recoverability assessments since the Group considers that Shinsegae Central City's asset values, e.g., land, buildings and other assets, could reflect appropriately their recoverable amount. Net fair value was calculated by adjusting the net working capital and the estimated incremental costs of disposal.

During the current year, the Group recognized impairment loss amounting to ₩1,750 million for goodwill of CGUs whose recoverable amount is less than the carrying amount.

18. OTHER ASSETS:

Details of other assets as of December 31, 2022 and 2021, are as follows:

	December 31, 2022				December 31, 2021			
	Current		Non-current		Current		Non-current	
	(In millions of Korean won)							
Advance payments	₩	34,178	₩	4,247	₩	10,468	₩	7,573
Prepaid expenses		23,386		3,064		11,419		3,967
Others		46,500		-		21,145		-
	₩	104,064	₩	7,311	₩	43,032	₩	11,540

19. TRADE AND OTHER ACCOUNTS PAYABLE:

Details of trade and other accounts payable as of December 31, 2022 and 2021, are as follows:

	December 31, 2022				December 31, 2021			
	Current		Non-current		Current		Non-current	
	(In millions of Korean won)							
Trade payables	₩	142,898	₩	-	₩	91,794	₩	-
Accounts payable		1,243,660		839		1,023,261		923
Accrued expenses		51,584		675		44,482		-
Dividends payable		9		-		8		-
	₩	1,438,151	₩	1,514	₩	1,159,545	₩	923

20. DERIVATIVES:

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps. Also, the put-back rights in the inter-shareholder contract of SSG.COM, an associate, is recognized as a put option (see Note 45).

(1) Details of derivatives as of December 31, 2022 and 2021, are as follows:

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
	(In millions of Korean won)			
Derivatives assets				
Held-for-trading derivatives that are not designated as hedging relationships:				
Cross-currency swap	₩ 12,725	₩ 19,989	₩ 64	₩ 4,325
Derivative liabilities				
Held-for-trading derivatives that are not designated as hedging relationships:				
Foreign exchange forward	15	-	-	-
Put option	-	31,658	-	14,721
Cross-currency swap	2,739	-	5,085	5,794
	₩ 2,754	₩ 31,658	₩ 5,085	20,515

(2) Details of unsettled foreign exchange forward contracts as of December 31, 2022 and 2021, are as follows:

The Group made the foreign exchange forward contracts (maturity is less than six months) to manage exchange rate fluctuation risk of foreign currency.

Details of unsettled forward contracts as of December 31, 2022 and 2021, are as follows. The assets and liabilities of the forward currency contracts are presented as derivative assets (liabilities) in the consolidated statements of financial position.

1) Liabilities from foreign exchange forward held for trading

	Contract date	Termination date	Purchase amount (foreign currency)	Selling amount (KRW)	Contract exchange rate	Foreign exchange forward liabilities: December 31, 2022	Foreign exchange forward liabilities: December 31, 2021
	(In thousands of USD, JPY and in millions of Korean won, except for exchange rate)						
Foreign exchange forward held for trading:							
KEB Hana Bank	2022.12.27	2023.01.02	USD 7,000	₩ 8,880	1,268.50	₩ 9	₩ -
KEB Hana Bank	2022.12.28	2023.01.05	USD 2,000	2,538	1,269.00	3	-
KEB Hana Bank	2022.12.29	2023.01.06	USD 3,000	3,805	1,268.40	3	-
						₩ 15	₩ -

(3) Details of unsettled cross-currency swaps as of December 31, 2022 and 2021, are as follows:

The Group uses currency swap transactions for the purpose of avoiding the risk of changes in cash flow due to changes in exchange rates and interest rates of foreign currency borrowings and debentures. And assets and liabilities of currency swap contracts are presented as derivative assets (liabilities) in the statement of financial position.

Details of unsettled contract amount and remaining period of the currency swap contracts as of December 31, 2022 and 2021, are as follows:

	Contract date	Termination date	Foreign currency	Contract amount	Interest rate at receipt (%)	Interest rate at payment (%)	Cross-currency swap assets (liabilities) December 31, 2022	Cross-currency swap assets (liabilities) December 31, 2021
				(In thousands of USD, JPY and in millions of Korean won)				
Held for trading:								
SMBC	2020.04.06	2023.04.05	USD 150,000	₩ 183,750	3M USD LIBOR+ 1.00	1.08	₩ 9,887	₩ (3,818)
DBS	2020.04.06	2022.04.05	USD 150,000	183,750	3M USD LIBOR+ 0.65	-	-	(5,085)
DBS	2022.03.28	2025.03.28	USD 150,000	183,750	SOFR CRS+ 1.32	3.29	10,406	-
KB Kookmin Bank	2019.11.29	2022.11.29	USD 10,000	11,810	LIBOR (3M) +1.10	-	-	64
Crédit Agricole	2020.04.08	2023.04.11	USD 20,000	24,400	LIBOR (3M) +1.35	1.60	1,168	(466)
Crédit Agricole	2021.02.10	2024.02.14	USD 30,000	33,420	LIBOR (3M) +0.9	1.60	5,687	2,570
Crédit Agricole	2021.03.29	2024.03.28	USD 20,000	22,280	LIBOR (3M) +0.9	1.35	3,896	1,740
Shinhan Bank	2020.06.23	2023.06.23	JPY 1,700,000	19,210	1.00	1.45	(2,739)	(1,511)
Shinhan Bank	2020.06.24	2023.06.23	USD 20,000	24,100	LIBOR (3M) +1.25	1.10	1,670	16
							₩ 29,975	₩ (6,490)

(4) Details of put option contract as of December 31, 2022 and 2021, are as follows:

The Group recognized a put option due to the put-back rights in the inter-shareholder contract of SSG.COM, and details of the contract related to the put option as of December 31, 2022 and 2021, are as follows (in millions of Korean won, except exercise price per share):

	Number of shares	Exercise price per share	Exercise period	Contract contents	December 31, 2022	December 31, 2021
					(In millions of Korean won)	
Held for trading						
Put option	1,316,492	₩759,595	2024.5.1-2027.4.30	In the event that the total sales (Gross Merchandise Volume; GMV) requirement or IPO (Initial Public Offering) requirement of SSG.COM Corp. is not satisfied in the business year of 2023, the acquisitors may request that the major shareholders purchase all of the shares held by the acquisitors from May 1, 2024, to April 30, 2027.	₩ 31,658	₩ 14,721

21. BORROWINGS:

(1) Details of borrowings as of December 31, 2022 and 2021, are as follows:

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
	(In millions of Korean won)			
Short-term borrowings	₩ 766,802	₩ -	₩ 390,523	₩ -
Long-term borrowings	238,979	180,745	52,011	221,489
Debentures	972,370	1,539,954	506,530	2,151,484
	₩ 1,978,151	₩ 1,720,699	₩ 949,064	₩ 2,372,973

(2) Short-term borrowings as of December 31, 2022 and 2021, are as follows:

Type	Lender	Interest rate (%) as of December 31, 2022	December 31, 2022	December 31, 2021
			(In millions of Korean won)	
Electronics short-term debenture	BNK Securities	4.38	₩ 80,000	₩ 50,000
Commercial paper	KB Securities and others	2.80–5.95	234,000	100,000
General loans	Korea Development Bank and others	0.50–8.03	408,457	192,975
Facility loans	KB Kookmin Bank	-	-	4,000
Banker's usance	Woori Bank and others	TERM SOFR(6M) +0.3–0.65	44,345	43,548
			₩ 766,802	₩ 390,523

(3) Long-term borrowings as of December 31, 2022 and 2021, are as follows:

Type	Lender	Interest rate (%) as of December 31, 2022	December 31, 2022	December 31, 2021
			(In millions of Korean won)	
General loans	KB Kookmin Bank and others	1.69-1.70	₩ 744	₩ 11,473
Foreign currency long-term borrowings	SBJ Bank (*1)	1.00	16,204	17,514
Facility loans	KB Kookmin Bank (*2)	-	-	11,855
	Crédit Agricole	1.47-1.73	90,000	90,000
	NH Nonghyup Bank	MOR (6M)+2.16	30,000	30,000
	Korea Development Bank and others (*3,4 and 5)	2.24–4.07	282,776	112,658
			419,724	273,500
Less: Current portion of long-term borrowings			(238,979)	(52,011)
			₩ 180,745	₩ 221,489

(*1) The Group hedges foreign exchange rate risks through currency swaps, which fix the exchange rate for the interest and the principal (see Note 20).
(*2) The Group hedges cash flow risks through currency swaps, which fix the exchange rate and interest rate for the interest and the principal (see Note 20).
(*3) The Group may repay all or part of loans on the date of each interest payment by giving written notice one month in advance, subject to prior consultation with Korea Development Bank.
(*4) The Group has pledged land and buildings as collaterals for long-term borrowings from Korea Development Bank and others (see Note 14).
(*5) According to the long-term loan agreement with KDB Industrial Bank, disposal of shares in Shinsegae Live Shopping, a subsidiary or provision of collateral to third parties are restricted(see Notes 12 and 45).

(4) Details of debentures as of December 31, 2022 and 2021, are as follows:

Description	Issued date	Maturity	Interest rate (%) as of December 31, 2022	December 31, 2022	December 31, 2021
				(In millions of Korean won)	
130-2nd non-guaranteed debentures	2017.04.11	2022.04.11	-	₩ -	₩ 150,000
131-2nd non-guaranteed debentures	2017.07.31	2022.07.31	-	-	110,000
132-2nd non-guaranteed debentures	2018.01.23	2023.01.20	2.84	160,000	160,000
133-2nd non-guaranteed debentures	2018.07.05	2023.07.05	2.72	180,000	180,000
134-1st non-guaranteed debentures	2020.03.20	2023.03.20	1.52	30,000	30,000
134-2nd non-guaranteed debentures	2020.03.20	2025.03.20	1.73	40,000	40,000
134-3rd non-guaranteed debentures	2020.03.20	2027.03.20	1.97	30,000	30,000
135-1st non-guaranteed debentures	2021.01.21	2024.01.20	1.21	200,000	200,000
135-2rd non-guaranteed debentures	2021.01.21	2026.01.20	1.45	70,000	70,000
136-1st non-guaranteed debentures	2021.10.07	2024.10.07	2.20	180,000	180,000
136-2rd non-guaranteed debentures	2021.10.07	2026.10.07	2.44	60,000	60,000
137 non-guaranteed debentures	2022.02.09	2025.02.09	2.96	150,000	-
Foreign currency private placement debentures (SMBC) (*1)	2020.04.06	2023.04.05	3M USD LIBOR+1.00	190,095	177,825
Foreign currency private placement debentures (DBS)	2020.04.06	2022.04.05	-	-	177,825
Foreign currency private placement debentures (DBS) (*1)	2022.03.28	2025.03.28	SOFR CRS+1.32	190,095	-
9th private placement debentures (*1)	2020.04.08	2023.04.11	LIBOR(3M) +1.35	25,346	23,710
10th private placement debentures (*1)	2020.06.24	2023.06.23	LIBOR(3M) +1.25	25,346	23,710
11th private placement debentures (*1)	2021.02.10	2024.02.14	LIBOR (3M) +0.90	38,019	35,565
12th private placement debentures (*1)	2021.03.29	2024.03.28	LIBOR (3M) +0.90	25,346	23,710
5-1st debentures	2019.07.29	2022.07.29	-	-	60,000
5-2nd debentures	2019.07.29	2024.07.29	1.60	190,000	190,000
6th non-guaranteed debentures	2020.06.24	2023.06.24	1.51	170,000	170,000
7th non-guaranteed debentures	2021.07.21	2024.07.21	1.78	120,000	120,000
1st non-guaranteed private placement debentures	2020.01.09	2023.01.09	2.50	110,000	110,000
1-1st private placement debentures	2021.01.25	2024.01.25	2.89	64,000	70,000
2nd private placement debentures	2021.01.25	2024.01.25	2.34	47,000	50,000
3-1st public offering debentures	2021.05.06	2023.05.06	1.34	70,000	70,000
3-2nd public offering debentures	2021.05.06	2024.05.06	1.57	90,000	90,000
3-3rd public offering debentures	2021.05.06	2026.05.06	2.13	40,000	40,000
KDBSG-3rd Limited Company	2021.10.22	2024.10.22	CD (3M)+1.70	20,000	20,000
				2,515,247	2,662,345
Less: Discounts on debentures				(2,923)	(4,331)
				2,512,324	2,658,014
Less: Current portion of debentures				(972,370)	(506,530)
				₩ 1,539,954	₩ 2,151,484

(*1) The Group enters into a cross-currency swap contract to manage exposures of fluctuations in future cash flows due to currency exchange rate and interest rate fluctuations affecting principal and interest (see Note 20).

(5) The repayment plan for long-term borrowings and debentures as of December 31, 2022, is as follows:

Description	Debentures (par value)	Long-term borrowings
	(In millions of Korean won)	
2024.1.1–2024.12.31	₩ 962,365	₩ 745
2025.1.1 and thereafter	580,095	180,000
	₩ 1,542,460	₩ 180,745

22. OTHER LIABILITIES:

Other liabilities as of December 31, 2022 and 2021, consist of the following:

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
	(In millions of Korean won)			
Advances received	₩ 42,074	₩ 26	₩ 63,224	₩ 300
Unearned revenue	14,687	3,514	12,628	5,351
Withholdings	58,282	-	68,570	-
Other taxes payable	7,483	-	5,944	-
Deferred revenue (see Note 27)	55,317	-	45,655	-
Other long-term employee benefit (*)	-	13,592	-	11,882
	₩ 177,843	₩ 17,132	₩ 196,021	₩ 17,533

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

23. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of December 31, 2022 and 2021, consist of the following:

	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
	(In millions of Korean won)			
Withholding deposits	₩ 184,826	₩ 53,777	₩ 174,551	₩ 56,003
Other deposits	2,438	-	2,442	-
Rehabilitation debt	429	-	429	-
Non-controlling interest liabilities (*)	-	53,261	-	20,175
	₩ 187,693	₩ 107,038	₩ 177,422	₩ 76,178

(*) Some of the non-controlling interests related to the subsidiary were classified as financial liabilities since the subsidiaries in the Group, Smart Shinsegae Signite Venture Fund, Smart Shinsegae Focus Venture Fund, Shinsegae Wellness Venture Fund and Shinsegae Rael Venture Fund have a fixed period of existence. The Group cannot control the liquidation of the subsidiary, and there is an obligation under the investment agreement to allocate the subsidiary's net assets according to the equity ratio at the time of liquidation.

24. LEASE LIABILITIES:

(1) Details of lease liabilities as of December 31, 2022 and 2021, are as follows:

	December 31, 2022	December 31, 2021
	(In millions of Korean won)	
Current liabilities	₩ 230,261	₩ 395,029
Non-current liabilities	639,637	876,844
	₩ 869,898	₩ 1,271,873

(2) Maturity analysis of lease liabilities as of December 31, 2022 and 2021, is as follows:

	December 31, 2022	December 31, 2021
	(In millions of Korean won)	
Minimum lease payments		
Less than 1 year	₩ 233,479	₩ 401,146
1 year–5 years	197,664	376,086
More than 5 years	1,047,452	1,115,110
	1,478,595	1,892,342
Deduction: Adjusted present value	(608,697)	(620,469)
Present value of lease liabilities	₩ 869,898	₩ 1,271,873

25. RETIREMENT BENEFIT PLAN:

(1) Defined contribution plan

The Group provides a defined contribution plan for qualified employees, under which the Group is obligated to make payments into a separate fund. The amounts to be paid as retirement benefits are determined by reference to contributions to a fund together with investment earnings thereon. Plan assets are held by a fund that is legally separate from the reporting entity. The Group recognized ₩297 million and ₩298 million of its contribution portion under its defined contribution plan in the consolidated statements of income for the years ended December 31, 2022 and 2021, respectively. The Group recognized ₩18 million and ₩18 million of accounts payable relating to the defined contribution plan in the consolidated statements of financial position as of December 31, 2022 and 2021, respectively.

(2) Defined benefit plan

The Group provides a defined benefit plan for qualified employees. Employees receive retirement allowance, which is calculated by average wages of final three months at the time of retirement under the defined benefit plan.

The valuation of related plan assets and the defined benefit obligation is performed by Mirae Asset Daewoo Co., Ltd. and others. Also, the present value of defined benefit obligation, current service cost and past service cost are determined using the projected unit credit method.

1) As of December 31, 2022 and 2021, amounts recognized in the consolidated statements of financial position related to the defined benefit plan are as follows:

	December 31, 2022	December 31, 2021
	(In millions of Korean won)	
Present value of defined benefit obligation	₩ 350,525	₩ 344,705
Fair value of plan assets	(427,640)	(337,929)
Retirement benefit obligation	₩ (77,115)	₩ 6,776

2) Details of changes in retirement benefit obligation for the years ended December 31, 2022 and 2021, are as follows:

	2022		
	Defined benefit obligations	Plan assets	Retirement benefit obligation
	(In millions of Korean won)		
Beginning balance	₩ 344,705	₩ (337,929)	₩ 6,776
Amounts recognized in profit or loss:			
Current service cost	40,563	-	40,563
Interest expense (income)	9,066	(8,980)	86
	49,629	(8,980)	40,649
Remeasurement components:			
Return on plan assets (excluding interest income above)	-	5,239	5,239
Demographic assumption	1,349	-	1,349
Financial assumption	(40,242)	-	(40,242)
Empirical adjustments	7,797	-	7,797
	(31,096)	5,239	(25,857)
Employer's contribution	-	(100,591)	(100,591)
Benefit paid	(26,293)	26,559	266
Transfer between related company	329	(218)	111
Business combination	13,251	(11,721)	1,530
Others	-	1	1
Ending balance	₩ 350,525	₩ (427,640)	₩ (77,115)

	2021		
	Defined benefit obligations	Plan assets	Retirement benefit obligation
	(In millions of Korean won)		
Beginning balance	₩ 322,308	₩ (300,287)	₩ 22,021
Amounts recognized in profit or loss:			
Current service cost	37,058	-	37,058
Interest expense (income)	6,369	(5,875)	494
	43,427	(5,875)	37,552
Remeasurement components:			
Return on plan assets (excluding interest income above)	-	473	473
Demographic assumption	837	-	837
Financial assumption	(10,198)	-	(10,198)
Empirical adjustments	2,809	-	2,809
	(6,552)	473	(6,079)
Employer's contribution	-	(51,059)	(51,059)
Benefit paid	(28,350)	32,074	3,724
Transfer between related company	517	(475)	42
Business combination	13,355	(12,883)	472
Others	-	103	103
Ending balance	₩ 344,705	₩ (337,929)	₩ 6,776

Actual revenues from plan assets amounted to ₩3,741 million and ₩5,403 million for the years ended December 31, 2022 and 2021, respectively.

3) The principal assumptions used for actuarial valuation as of December 31, 2022 and 2021, are as follows:

	December 31, 2022	December 31, 2021
Discount rate	5.22%–6.46%	2.53%–4.09%
Future salary increase rate	2.00%–5.55%	2.00%–6.12%

4) Details of plan assets as of December 31, 2022 and 2021, are as follows:

	December 31, 2022			December 31, 2021		
	Amount		Ratio	Amount		Ratio
	(In millions of Korean won)					
Cash and bank deposit	₩	343,719	80%	₩	124,722	37%
Securities		63,708	15%		117,218	35%
Others		20,213	5%		95,989	28%
	₩	427,640	100%	₩	337,929	100%

5) On condition that the other assumptions remain the same, the sensitivity analysis for each significant actuarial assumption as of December 31, 2022 and 2021, is as follows:

	December 31, 2022			
	Increase		Decrease	
	(In millions of Korean won)			
1% change in discount rate	₩	(16,875)	₩	19,009
1% change in future salary increase rate		19,295		(17,410)

	December 31, 2021			
	Increase		Decrease	
	(In millions of Korean won)			
1% change in discount rate	₩	(18,892)	₩	21,506
1% change in future salary increase rate		21,375		(19,166)

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

6) The Group expects to make a contribution of ₩11,598 million to the defined benefit plans for the year ended December 31, 2023.

Meanwhile, the average duration of the defined benefit obligation as of December 31, 2022, is 4.11–16.1 years.

26. PROVISIONS:

(1) Details of provisions as of December 31, 2022 and 2021, are as follows:

	December 31, 2022				December 31, 2021			
	Current		Non-current		Current		Non-current	
	(In millions of Korean won)							
Provision for restoring (*)	₩	8,648	₩	4,429	₩	2,931	₩	8,388
Return provision		3,098		-		1,037		-
Other provision		14,272		392		703		65
	₩	26,018	₩	4,821	₩	4,671	₩	8,453

(*) The amount expected to be paid to fulfill the obligation to restore the leased office building is recorded as provision for restoring.

(2) Details of changes in provisions for the years ended December 31, 2022 and 2021, are as follows:

	2022											
	Beginning balance		Addition		Used		Reversal		Business combination		Ending balance	
	(In millions of Korean won)											
Provision for restoring	₩	11,319	₩	2,124	₩	(193)	₩	(884)	₩	711	₩	13,077
Return provision		1,037		2,589		-		(863)		335		3,098
Other provision		768		17,509		(3,644)		(56)		86		14,663
	₩	13,124	₩	22,222	₩	(3,837)	₩	(1,803)	₩	1,132	₩	30,838

	2021									
	Beginning balance		Addition		Used		Reversal		Ending balance	
	(In millions of Korean won)									
Provision for restoring	₩	13,250	₩	2,010	₩	(1,259)	₩	(2,682)	₩	11,319
Return provision		1,215		360		-		(538)		1,037
Other provision		20		748		-		-		768
	₩	14,485	₩	3,118	₩	(1,259)	₩	(3,220)	₩	13,124

27. DEFERRED REVENUE:

(1) Details of deferred revenue as of December 31, 2022 and 2021, are as follows:

	December 31, 2022	December 31, 2021
	(In millions of Korean won)	
Reward points (*)	₩ 55,317	₩ 45,655

(*) The Group operates a customer loyalty program that grants a certain amount or percentage of the purchase price to its customers. The Group estimates the expenditure expected as a result of granting the reserve as deferred revenue (other current liabilities).

(2) Details of changes in deferred revenue for the years ended December 31, 2022 and 2021, are as follows:

	2022				
	Beginning balance	Increase	Decrease	Business combination	Ending balance
	(In millions of Korean won)				
Reward points	₩ 45,655	₩ 49,115	₩ (39,649)	₩ 196	₩ 55,317

	2021				
	Beginning balance	Increase	Decrease	Business combination	Ending balance
	(In millions of Korean won)				
Reward points	₩ 37,998	₩ 230,607	₩ (224,792)	₩ 1,842	₩ 45,655

28. CAPITAL STOCK:

The number of authorized shares of the Company as of December 31, 2022 and 2021, is 40,000,000 shares. The number of shares issued and details of the capital stock as of December 31, 2022 and 2021, are as follows:

	December 31, 2022			December 31, 2021		
	Number of shares	Par value	Capital stock	Number of shares	Par value	Capital stock
	(In millions of Korean won, except for shares and par value)					
Common stock	9,845,181	₩ 5,000	₩ 49,226	9,845,181	₩ 5,000	₩ 49,226

29. OTHER PAID-IN CAPITAL:

(1) Details of other paid-in capital as of December 31, 2022 and 2021, are as follows:

	December 31, 2022	December 31, 2021
	(In millions of Korean won)	
Capital surplus	₩ 72,431	₩ 72,431
Others	330,176	330,162
Treasury stock	(3,575)	(3,575)
	₩ 399,032	₩ 399,018

(2) Details of changes in other paid-in capital for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
	(In millions of Korean won)	
Beginning balance	₩ 399,018	₩ 344,223
Additional acquisition of subsidiaries	14	16
Disposal of subsidiaries	-	54,779
Ending balance	₩ 399,032	₩ 399,018

30. RETAINED EARNINGS AND DIVIDENDS:

(1) Details of retained earnings as of December 31, 2022 and 2021, are as follows:

	December 31, 2022	December 31, 2021
	(In millions of Korean won)	
Legal reserve (*)	₩ 34,900	₩ 34,900
Voluntary reserve	3,120,451	2,929,375
Unappropriated retained earnings	324,002	120,192
	₩ 3,479,353	₩ 3,084,467

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

(2) Details of changes in retained earnings for the years ended December 31, 2022 and 2021, are as follows:

	2022	20201
	(In millions of Korean won)	
Beginning balance	₩ 3,084,467	₩ 2,788,210
Dividends	(29,509)	(14,755)
Net income attributable to owners of the Group	406,065	306,827
Remeasurement of defined benefit plan	16,418	3,185
Retained earnings using equity method	2,228	925
Others	(316)	75
Ending balance	₩ 3,479,353	₩ 3,084,467

(3) The payment of dividends for the years ended December 31, 2022 and 2021, is as follows (in millions of Korean won, except dividend per share):

2022

Type of stock	Number of shares issued	Number of treasury stock	Dividends declared	Dividend per share	Amount of dividend
Common stock	9,845,181	8,774	9,836,407	₩ 3,000	₩ 29,509

2021

Type of stock	Number of shares issued	Number of treasury stock	Dividends declared	Dividend per share	Amount of dividend
Common stock	9,845,181	8,774	9,836,407	₩ 1,500	₩ 14,755

31. OTHER CAPITAL COMPONENTS:

(1) Details of other capital components as of December 31, 2022 and 2021, are as follows:

	December 31, 2022		December 31, 2021	
	(In millions of Korean won)			
Gain on financial assets measured at FVTOCI	₩	183,650	₩	210,425
Changes in capital variation of equity method		1,902		695
Loss on valuation of derivatives		(3)		(3)
Gain on foreign operations translation, net		512		270
	₩	186,061	₩	211,387

(2) Details of changes in financial assets measured at FVTOCI for the years ended December 31, 2022 and 2021, are as follows:

	2022		2021	
	(In millions of Korean won)			
Beginning balance	₩	210,425	₩	261,647
Changes in fair value		(34,863)		(67,575)
Tax effects of fair value changes		8,088		16,353
Ending balance	₩	183,650	₩	210,425

(3) Details of changes in capital variation of equity method for the years ended December 31, 2022 and 2021, are as follows:

	2022		2021	
	(In millions of Korean won)			
Beginning balance	₩	695	₩	(784)
Amount of change due to changes in other comprehensive income of associates and joint ventures		1,592		1,070
Tax effect of amount of change due to changes in other comprehensive income of associates and joint ventures		(385)		(259)
Amount reclassified into profit or loss due to disposal of investment in associates.		-		667
Others		-		1
Ending balance	₩	1,902	₩	695

(4) Details of changes in gain (loss) on cash flow hedge derivative instruments for the years ended December 31, 2022 and 2021, are as follows:

	2022		2021	
	(In millions of Korean won)			
Beginning balance	₩	(3)	₩	(117)
Gain arising from changes in the fair value of hedging instruments		-		151
Tax effect of loss recognized in other comprehensive income		-		(37)
Ending balance	₩	(3)	₩	(3)

(5) Details of changes in gain (loss) on foreign operations translation for the years ended December 31, 2022 and 2021, are as follows:

	2022		2021	
	(In millions of Korean won)			
Beginning balance	₩	270	₩	(34)
Foreign exchange differences due to the translation of net assets in foreign operations		242		304
Ending balance	₩	512	₩	270

32. SALES:

(1) Details of sales for the years ended December 31, 2022 and 2021, are as follows:

		2022		2021
	(In millions of Korean won)			
Revenue from contracts with customers				
Total sales	₩	7,650,853	₩	6,732,993
Sale – merchandise		5,017,502		4,437,082
Sale – finished goods		413,335		418,146
Sale – under special contract		1,816,448		1,609,106
Sale – commission sales (*)		67,118		64,639
Sale – other		336,450		204,020
Deduction		525,728		935,861
Return provision		(208)		(538)
Deferred revenue		57,927		173,085
Sales discount and others		468,009		763,314
		7,125,125		5,797,132
Profit from other sources				
Rental income		687,630		519,304
	₩	7,812,755	₩	6,316,436

(*) It consists of management fees and consignment management fees.

(2) Details of contractual assets and liabilities as of December 31, 2022 and 2021, are as follows:

		December 31, 2022		December 31, 2021
	(In millions of Korean won)			
Contractual assets				
Right to returned goods asset (see Note 10)	₩	800	₩	493
Contractual liabilities				
Customer loyalty program (see Note 27)	₩	55,317	₩	45,655
Merchandise coupon		699,165		616,972
Return provision (see Note 26)		3,098		1,037
Others		47,387		58,045
	₩	804,967	₩	721,709

33. SELLING AND ADMINISTRATIVE EXPENSES:

Details of selling and administrative expenses for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
	(In millions of Korean won)	
Salaries	₩ 417,607	₩ 365,597
Retirement benefits	42,095	37,250
Employee benefits	61,066	52,126
Travel expenses	7,315	3,363
Taxes and dues	88,384	75,065
Fees and charges	2,823,592	1,955,873
Rental fee	(29,396)	(278,952)
Repair expenses	35,784	27,078
Utility expenses	80,848	61,353
Depreciation	531,149	612,631
Amortization	32,179	24,043
Advertisement expenses	112,325	83,456
Promotion expenses	94,675	68,339
Decoration expenses	23,383	16,286
Others	118,729	88,412
	₩ 4,439,735	₩ 3,191,920

34. FINANCIAL INCOME:

Details of financial income for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
	(In millions of Korean won)	
Interest income:		
Cash and cash equivalents	₩ 8,225	₩ 1,665
Long-term and short-term financial instruments	5,443	948
Financial assets measured at FVTPL	931	447
Amortization of present value discount	10,271	4,340
Interest on finance lease receivables	8	15
	24,878	7,415
Dividend income	14,020	11,048
Gain on foreign currency translation	5,625	2,621
Gain on foreign currency transaction	18,760	15,206
Gain on valuation of financial assets measured at FVTPL	16,169	12,984
Gain on disposal of financial assets measured at FVTPL	177	670
Gain on non-controlling interest liabilities	-	397
Gain on derivatives transaction	9,439	1,312
Gain on derivatives valuation	35,677	41,779
	₩ 124,745	₩ 93,432

35. FINANCIAL EXPENSES:

Details of financial expenses for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
	(In millions of Korean won)	
Interest expense:		
Borrowings	₩ 25,049	₩ 18,584
Debentures	58,607	47,090
Guarantee fee	4	-
Amortization of present value discount	1,420	1,979
Interest on lease liabilities	38,351	48,976
	123,431	116,629
Deduction: borrowing costs capitalized	(3,762)	(9,566)
	119,669	107,063
Loss on foreign currency translation	31,073	38,319
Loss on foreign currency transaction	28,120	12,818
Loss on valuation of financial assets measured at FVTPL	6,471	3,172
Loss on non-controlling interest liabilities	2,303	-
Loss on derivatives transaction	408	1,408
Loss on derivatives valuation	21,184	5,971
	₩ 209,228	₩ 168,751

36. OTHER NON-OPERATING INCOME:

Details of other non-operating income for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
	(In millions of Korean won)	
Commission income	₩ 1,290	₩ 743
Gain on disposal of property and equipment	271	337
Gain on disposal of investment property	-	1,818
Gain on disposal of right-of-use assets	8,454	15
Gain on disposal of intangible assets	3	389
Gain on disposal of assets held for sale	-	5,416
Reversal of loss allowance for other accounts receivable	985	4
Reversal of impairment loss for advance payments	26	-
Gain on disposal of investment assets	189	392
Reversal of impairment loss on right-of-use assets	2,948	17,414
Gain on bargain purchase gain	-	241,520
Miscellaneous income	24,056	28,199
Gain on disposal of investments in associates and joint ventures	6,605	-
	₩ 44,827	₩ 296,247

37. OTHER NON-OPERATING EXPENSES:

Details of other non-operating expenses for the years ended December 31, 2022 and 2021, are as follows:
Impairment loss on intangible assets

		2022		2021
		(In millions of Korean won)		
Loss allowance for other accounts receivable	₩	174	₩	1,485
Donations		7,866		6,794
Loss on disposal of property and equipment		11,817		41,672
Loss on impairment of property and equipment		1,442		-
Loss on disposal of right-of-use assets		328		6,242
Loss on Impairment of right-of-use assets		9,787		104,233
Loss on disposal of intangible assets		157		222
Loss on Impairment of intangible assets		3,592		455
Loss on Impairment of assets held for sale		1,041		-
Loss on disposal of investment stocks in subsidiaries		42		-
Loss on disposal of investments in associates		-		30,976
Loss on impairment of investment assets		534		-
Contribution to the in-house work welfare fund		2,425		2,800
Miscellaneous expense		21,831		14,537
	₩	61,036	₩	209,416

38. INCOME TAX:

(1) Income tax expense for the years ended December 31, 2022 and 2021, is computed as follows:

		2022		2021
		(In millions of Korean won)		
Current income tax expense:				
Current tax on profit for the year	₩	143,146	₩	77,051
Adjustment for past income tax expenses		929		1,379
Items directly charged to equity		1,736		14,258
Deferred income tax expense:				
Deferred income tax due to temporary difference		(22,240)		61,929
Business combination		(12,346)		(25,909)
Deferred income tax due to changes of tax rates or laws		(136,990)		-
Income tax (income) expense	₩	(25,765)	₩	128,708

(2) An explanation of the relationship between income tax expense and net income before income tax expense for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
	(In millions of Korean won)	
Net income before income tax expense	₩ 521,875	₩ 517,575
Income tax expenses calculated at statutory tax rate (current year: 24.10% and prior year: 24.10%)	₩ 125,832	₩ 124,791
Adjustments:		
Effect of non-taxable income/non-deductible expense	(4,148)	(1,475)
Effect of tax credit	(16)	(435)
Adjustment for past income tax expenses	929	1,251
Effect of temporary difference and others not recognized as deferred tax assets	6,150	(15,796)
Effect of changes in previously unrecognized tax loss, tax credit or temporary difference of a prior year that is used to reduce deferred tax expense	(11,035)	8,414
Effect of taxes on non-recirculation corporate income	1,444	2,429
Deferred income tax due to changes of tax rates or laws	(136,990)	-
Others	(7,931)	9,529
Income tax (income) expense	₩ (25,765)	₩ 128,708
Effective tax rate	-	24.87%

(3) Details of changes in temporary differences and deferred tax assets (liabilities) for the years ended December 31, 2022 and 2021, are as follows:

	2022		
	Beginning Balance	Increase (decrease)	Ending balance
	(In millions of Korean won)		
Temporary differences	₩ (940,756)	₩ 51,640	₩ (889,116)
Temporary differences not recognized as deferred tax	(36,681)		5,119
Temporary differences recognized as deferred tax	₩ (904,075)		₩ (894,235)
Tax rate	(*)		(*)
Deferred tax liabilities of the Company	₩ (208,733)		₩ (189,174)
Deferred tax liabilities of subsidiaries	(541,577)		(538,172)
Deferred tax liabilities due to consolidation adjustments	(108,284)		27,981
Deferred tax liabilities of the Group	₩ (858,594)		₩ (699,365)

(*) The tax rate used for the measurement of deferred tax assets and liabilities is 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.

	2021					
	Beginning Balance		Increase (decrease)		Ending balance	
	(In millions of Korean won)					
Temporary differences	₩	(1,103,768)	₩	163,012	₩	(940,756)
Temporary differences not recognized as deferred tax		(37,727)				(36,681)
Temporary differences recognized as deferred tax	₩	(1,066,041)			₩	(904,075)
Tax rate		(*)				(*)
Deferred tax liabilities of the Company	₩	(246,477)			₩	(208,733)
Deferred tax liabilities of subsidiaries		(521,822)				(541,577)
Deferred tax liabilities due to consolidation adjustments		(28,366)				(108,284)
Deferred tax assets of the Group	₩	(796,665)			₩	(858,594)

(*) The tax rate used for the measurement of deferred tax assets and liabilities is 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.

Meanwhile, deferred tax assets (liabilities) as of December 31, 2022 and 2021, are as follows:

	December 31, 2022		December 31, 2021	
	(In millions of Korean won)			
Deferred tax assets	₩	24,845	₩	72,733
Deferred tax liabilities		(724,210)		(931,327)
	₩	(699,365)	₩	(858,594)

(4) Details of items directly charged to equity for the years ended December 31, 2022 and 2021, are as follows:

	2022		2021	
	(In millions of Korean won)			
Gain on valuation of financial assets measured at FVTOCI	₩	8,088	₩	16,353
Changes in capital variation of equity method		(642)		(484)
Changes in retained earnings using equity method		(496)		(172)
Loss on valuation of derivatives		-		(83)
Remeasurement of defined benefit plan		(5,214)		(1,356)
	₩	1,736	₩	14,258

(5) Details of deductible temporary differences and tax losses of subsidiaries not recognized as deferred tax assets as of December 31, 2022 and 2021, are as follows:

	December 31, 2022		December 31, 2021	
	(In millions of Korean won)			
Deductible temporary differences	₩	8,510	₩	242
Tax losses		45,736		24,873
	₩	54,246	₩	25,115

The maturity of tax losses that is not recognized as deferred tax assets as of December 31, 2022 and 2021, is as follows:

	December 31, 2022		December 31, 2021	
	(In millions of Korean won)			
Less than five years	₩	1,033	₩	13,630
More than five years		44,703		11,243
	₩	45,736	₩	24,873

39. EXPENSES BY NATURE:

Expenses classified by nature for the years ended December 31, 2022 and 2021, are as follows:

	2022		2021	
	(In millions of Korean won)			
Changes in inventories	₩	(155,469)	₩	133,164
Purchase of raw materials and merchandises		2,792,921		2,394,365
Salaries and retirement benefits		479,079		419,982
Depreciation		545,946		627,198
Amortization		32,260		24,419
Fees and charges		2,863,229		1,991,931
Rental fee		(29,352)		(278,927)
Advertisement expenses		113,813		84,704
Promotion expenses		99,808		72,533
Others		425,071		329,666
	₩	7,167,306	₩	5,799,035

40. EARNINGS PER SHARE:

(1) Weighted-average number of common shares outstanding used to calculate basic earnings per share for the years ended December 31, 2022 and 2021, is as follows:

Description	2022	2021
Weighted-average number of common shares outstanding (*)	9,836,407 shares	9,836,407 shares

(*) The number of treasury stock that was deducted by 8,774 shares from the common shares outstanding for the years ended December 31, 2022 and 2021.

(2) Basic earnings per share for the years ended December 31, 2022 and 2021, are calculated as follows:

Description		2022		2021
	(In Korean won)			
Net income attributable to owners of the Group	₩	406,065,274,588	₩	306,827,154,501
Dividends paid on capital securities		-		-
Net income		406,065,274,588		306,827,154,501
Weighted-average number of common shares outstanding		9,836,407 shares		9,836,407 shares
Basic earnings per share	₩	41,282	₩	31,193

Meanwhile, diluted earnings per share are the same as the basic earnings per share as the Group has no diluted securities.

41. FINANCIAL INSTRUMENTS:

(1) Capital risk management

The Group performs capital management to maintain its ability to continuously provide profits to shareholders and to maintain its ability to continue as a going concern. The Group's overall capital risk management strategy remains unchanged from that of the prior periods.

The Group utilizes the debt ratio and net borrowing ratio as capital management index. The debt ratio and net borrowing ratio as of December 31, 2022 and 2021, are as follows:

Description	December 31, 2022	December 31, 2021
	(In millions of Korean won)	
Liabilities (A)	₩ 8,096,633	₩ 7,882,059
Equity (B)	6,251,779	5,762,451
Cash and cash equivalents (C)	937,973	577,788
Borrowings (D)	3,698,850	3,322,037
Debt ratio (A/B)	129.51%	136.78%
Net borrowing ratio ((D-C)/B)	44.16%	47.62%

(2) In Note 2, the summary of significant accounting policies of the financial assets, financial liabilities and equity describes the details of policies by category.

(3) Financial risk management

1) Market risk

A. Foreign currency risk

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

The book value of the Group's monetary assets and liabilities denominated in foreign currencies as of December 31, 2022 and 2021, is as follows:

	Assets		Liabilities	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(In millions of Korean won)			
USD	₩ 110,429	₩ 125,917	₩ 626,481	₩ 566,532
EUR	4,291	580	59,711	37,118
Other currency	1,522	2,324	22,334	24,549
	₩ 116,242	₩ 128,821	₩ 708,526	₩ 628,199

a. Foreign currency sensitivity analysis

The Group is generally exposed to the risk of foreign currencies in USD and EUR. A sensitivity analysis on the Group's net income before income tax expense for the period, assuming 10% increase or 10% decrease in currency exchange rates, as of December 31, 2022 and 2021, is as follows:

	USD		EUR		Other currency	
	2022	2021	2022	2021	2022	2021
	(In millions of Korean won)					
10% increase in KRW against foreign currency	₩ (723)	₩ 3,335	₩ (5,542)	₩ (3,654)	₩ (393)	₩ (309)
10% decrease in KRW against foreign currency	723	(3,335)	5,542	3,654	393	309

Above sensitivity analysis is conducted on monetary assets and liabilities denominated in foreign currencies other than functional currency as of December 31, 2022 and 2021, excluding monetary assets and liabilities with fixed exchange rates through currency swaps.

b. Foreign currency risk hedges

The Group entered into a cross-currency swap contract to manage foreign currency exchange rate fluctuation risk that affects future cash flow for repayment of principal and payment of interest for foreign currency bonds. The Group recognized the amount of cross-currency swaps measured at fair value as financial income and expense (see Notes 34 and 35).

B. Interest rate risk

The Group is exposed to interest rate risk due to its short-term and long-term borrowings. Borrowings with floating interest rate expose the Group to cash flow interest rate risk, which is partially offset by cash equivalents with floating interest rate. Also, borrowings with fixed interest rate expose the Group to fair value interest rate risk.

The Group conducts a multifaceted analysis, including simulating various scenarios that take into refinancing, renewal of existing borrowings, alternative financing, risk hedge and others of interest rate exposure. Based on these scenarios, the Group calculates the effect of profit and loss of defined interest rate fluctuations. In each simulation, the same interest rate fluctuation is applied for all currencies. These scenarios only apply to debts that represent the interest-bearing position.

If interest rate is 50 basis points higher/lower than the current interest rate, the effect of the Group’s net income before income tax expense as of December 31, 2022 and 2021, is as follows:

	December 31, 2022				December 31, 2021			
	50 basis points increase		50 basis points decrease		50 basis points increase		50 basis points decrease	
	(In millions of Korean won)							
Profit or loss	₩	(907)	₩	907	₩	(398)	₩	398

C. Price risk

The Group’s investment portfolio consists of direct and indirect investments in listed and non-listed securities (financial assets measured at FVTOCI and financial assets measured at FVTPL) for its strategic objectives. The market values of the Group's equity securities for the years ended December 31, 2022 and 2021, are ₩511,449 million and ₩436,181 million, respectively (see Notes 7 and 8). Also, the listed equity securities held by the Group are traded in the open market and belong to the KOSPI and NASDAQ stock indexes. If there is a change in the market price of equity securities by 10%, the amount of pretax other comprehensive income for the years ended December 31, 2022 and 2021, changes by ₩37,339 million and ₩38,026 million, respectively.

2) Credit risk

Credit risk occurs in common transactions and investments where customers or counterparts do not comply with the terms and conditions of the contract. The Group makes transactions with reputable financial institutions to manage credit risk and operates with policies and procedures for credit enhancement of financial assets. The Group continually reviews the credit and the limits of credit of clients to adjust necessary collateral. The carrying amount of financial assets exposed to credit risk, except for financial guarantee contracts, best represents the maximum exposure to credit risk, so it is excluded from the above disclosure.

3) Liquidity risk

The Group has established an appropriate liquidity risk management framework for the management of the Group's short-term, medium-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and credit line, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. Meanwhile, the cash flows related to Banker's Usance among short-term borrowings do not include interest cash flows because the balance changes from time to time due to the nature of the borrowings.

	December 31, 2022			
	Less than 1 year	1 year–5 years	More than 5 years	Total
	(In millions of Korean won)			
Trade and other accounts payable	₩ 1,438,151	₩ 1,514	₩ -	₩ 1,439,665
Borrowings	2,077,267	1,777,770	-	3,855,037
Other financial liabilities	187,914	48,696	68,011	304,621
Lease liabilities	233,479	197,665	1,047,453	1,478,597
	₩ 3,936,811	₩ 2,025,645	₩ 1,115,464	₩ 7,077,920

	December 31, 2021			
	Less than 1 year	1 year–5 years	More than 5 years	Total
	(In millions of Korean won)			
Trade and other accounts payable	₩ 1,159,545	₩ 923	₩ -	₩ 1,160,468
Borrowings	1,006,091	2,397,973	30,128	3,434,192
Other financial liabilities	185,014	49,245	19,655	253,914
Lease liabilities	400,914	377,938	1,115,111	1,893,963
	₩ 2,751,564	₩ 2,826,079	₩ 1,164,894	₩ 6,742,537

The following table details the Group's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves.

	December 31, 2022			
	Less than 1 year	1 year–5 years	More than 5 years	Total
	(In millions of Korean won)			
Gross settled:				
Cross-currency swap – gross outflow	₩ (184,229)	₩ (176,747)	₩ -	₩ (360,976)
Cross-currency swap – gross inflow	201,082	180,009	-	381,091
	₩ 16,853	₩ 3,262	₩ -	₩ 20,115

	December 31, 2021			
	Less than 1 year	1 year–5 years	More than 5 years	Total
	(In millions of Korean won)			
Gross settled:				
Cross-currency swap – gross outflow	₩ (198,356)	₩ (182,426)	₩ -	₩ (380,782)
Cross-currency swap – gross inflow	193,110	178,106	-	371,216
	₩ (5,246)	₩ (4,320)	₩ -	₩ (9,566)

42. FAIR VALUE OF FINANCIAL INSTRUMENTS:

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

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- 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) Book value and fair value by hierarchy level of financial assets as of December 31, 2022 and 2021, are as follows:

	December 31, 2022					
	Book value					Fair value
Description	Financial assets measured at FVTPL	Financial assets measured at amortized cost	Financial assets measured at FVTOCI	Derivatives designated for hedging	Total	
	(In millions of Korean won)					
Cash and cash equivalents (*)	₩ -	₩ 937,973	₩ -	₩ -	₩ 937,973	₩ 937,973
Trade and other accounts receivable (*)	-	560,718	-	-	560,718	560,718
Financial assets measured at FVTPL						
Convertible bonds for investment (*)	5,660	-	-	-	5,660	5,660
Shared growth fund (*)	32,600	-	-	-	32,600	32,600
Redeemable convertible preference shares (*)	80,222	-	-	-	80,222	80,222
Marketable equity securities	2,589	-	-	-	2,589	2,589
Non-marketable equity securities (*)	48,943	-	-	-	48,943	48,943
Investment cooperative (*)	3,585	-	-	-	3,585	3,585
Other debt securities (*)	55,807				55,807	55,807
Financial assets measured at FVTOCI						
Marketable equity securities	-	-	373,393	-	373,393	373,393
Non-marketable equity securities (*)	-	-	2,717	-	2,717	2,717
Derivative assets	32,714	-	-	-	32,714	32,714
Other financial assets (*)	-	763,822	-	-	763,822	763,822
Finance lease receivables (*)	-	220	-	-	220	220
	₩ 262,120	₩ 2,262,733	₩ 376,110	₩ -	₩ 2,900,963	₩ 2,900,963

(*) Determined that the carrying amount of financial instruments is similar to the fair value.

Description	Book value: Financial assets measured at FVTPL	Financial assets measured at amortized cost	Financial assets measured at FVTOCI	Derivatives designated for hedging	Total	Fair value
	December 31, 2021					
	(In millions of Korean won)					
Cash and cash equivalents (*)	₩ -	₩ 577,788	₩ -	₩ -	₩ 577,788	₩ 577,788
Trade and other accounts receivable (*)	-	473,128	-	-	473,128	473,128
Financial assets measured at FVTPL						
Shared growth fund (*)	20,600	-	-	-	20,600	20,600
Redeemable convertible preference shares	36,531	-	-	-	36,531	36,531
Marketable equity securities	5,497	-	-	-	5,497	5,497
Non-marketable equity securities (*)	11,380	-	-	-	11,380	11,380
Investment cooperative (*)	1,800	-	-	-	1,800	1,800
Financial assets measured at FVTOCI						
Marketable equity securities	-	-	380,256	-	380,256	380,256
Non-marketable equity securities (*)	-	-	717	-	717	717
Derivative assets	4,389	-	-	-	4,389	4,389
Other financial assets (*)	-	720,764	-	-	720,764	720,764
Finance lease receivables (*)	-	548	-	-	548	548
	₩ 80,197	₩ 1,772,228	₩ 380,973	₩ -	₩ 2,233,398	₩ 2,233,398

(*) Determined that the carrying amount of financial instruments is similar to the fair value.

(2) Book value and fair value by hierarchy level of financial liabilities as of December 31, 2022 and 2021, are as follows:

Description	Book value: Financial liabilities measured at FVTPL	Financial liabilities measured at amortized cost	Derivatives designated for hedging	Total	Fair value
	December 31, 2022				
	(In millions of Korean won)				
Trade and other accounts payable (*)	₩ -	₩ 1,439,665	₩ -	₩ 1,439,665	₩ 1,439,665
Borrowings (*)	-	3,698,850	-	3,698,850	3,698,850
Lease liabilities (*)	-	869,898	-	869,898	869,898
Derivative liabilities	34,412	-	-	34,412	34,412
Other financial liabilities (*)	-	294,731	-	294,731	294,731
	₩ 34,412	₩ 6,303,144	₩ -	₩ 6,337,556	₩ 6,337,556

(*) Determined that the carrying amount of financial instruments is similar to the fair value.

Description	December 31, 2021 Book value Financial liabilities measured at FVTPL	Financial liabilities measured at amortized cost	Derivatives designated for hedging	Total	Fair value
	(In millions of Korean won)				
Trade and other accounts payable (*)	₩ -	₩ 1,160,469	₩ -	₩ 1,160,469	₩ 1,160,469
Borrowings (*)	-	3,322,037	-	3,322,037	3,322,037
Lease liabilities (*)	-	1,271,873	-	1,271,873	1,271,873
Derivative liabilities	25,601	-	-	25,601	25,601
Other financial liabilities (*)	-	253,600	-	253,600	253,600
	₩ 25,601	₩ 6,007,979	₩ -	₩ 6,033,580	₩ 6,033,580

(*) Determined that the carrying amount of financial instruments is similar to the fair value.

Significant transfers between Level 1 and Level 2 have not occurred for the years ended December 31, 2022 and 2021.

(3) Profit and loss of financial instruments by category for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
	(In millions of Korean won)	
Financial assets:		
Financial assets measured at FVTPL	₩ 52,320	₩ 12,641
Financial assets measured at amortized cost	36,524	17,487
Financial assets measured at FVTOCI:		
Other comprehensive (loss) income	(34,863)	(67,575)
Profit	13,967	11,027
Derivatives designated for hedging:		
Other comprehensive income (loss)	-	-
Profit	-	7,743
Financial liabilities:		
Financial liabilities measured at FVTPL	(17,360)	26,239
Financial liabilities measured at amortized cost	(171,365)	(152,222)
Derivatives designated for hedging:		
Other comprehensive loss	-	(342)
Profit (loss)	-	-

(4) Changes in financial assets and financial liabilities classified as Level 3 for the years ended December 31, 2022 and 2021, are as follows:

	2022						
	Beginning balance	Profit (loss)	Other comprehensive income (loss)	Acquisition	Disposal	Others	Ending balance
	(In millions of Korean won)						
Financial Assets:							
Financial Assets measured at FVTPL:							
Redeemable convertible preference shares	₩ 36,531	₩ 6,790	₩ -	₩ 39,935	₩ (3,034)	₩ -	₩ 80,222
Financial liabilities:							
Financial liabilities measured at FVTPL:							
Derivatives liabilities	₩ (14,721)	₩ (16,937)	₩ -	₩ -	₩ -	₩ -	₩ (31,658)

	2021						
	Beginning balance	Profit (loss)	Other comprehensive income (loss)	Acquisition	Disposal	Others	Ending balance
	(In millions of Korean won)						
Financial Assets:							
Financial Assets measured at FVTPL:							
Redeemable convertible preference shares	₩ 7,291	₩ 3,887	₩ -	₩ 25,353	₩ -	₩ -	₩ 36,531
Financial liabilities:							
Financial liabilities measured at FVTPL:							
Derivatives liabilities	₩ (9,158)	₩ (5,563)	₩ -	₩ -	₩ -	₩ -	₩ (14,721)

(5) Fair value of financial assets and financial liabilities that are measured at fair value repeatedly as of December 31, 2022 and 2021, is as follows:

		December 31, 2022	December 31, 2021	Hierarchy level
		(In millions of Korean won)		
Foreign exchange forward (see Note 20)	Liabilities	15	-	Level 2
Cross-currency swap (see Note 20)	Assets	32,714	4,389	Level 2
	Liabilities	(2,739)	(10,879)	Level 2
Put option (see Note 20)	Liabilities	31,658	14,721	Level 3
Redeemable convertible preference shares (see Note 7)	Assets	80,222	36,531	Level 3
Marketable equity securities (see Notes 7 and 8)	Assets	375,982	385,753	Level 1

- Foreign exchange forward contracts: Discounted cash flows
Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates. The discount rate used to measure the fair value of foreign exchange forward contracts is determined based on quoted interest rate and yield curves at the end of the reporting period.

- Cross-currency swaps: Discounted cash flow
The discount rate used to measure the fair value of a cross-currency swap is determined based on applicable yield curves from interest rates announced in the market at the end of the reporting period. Cross-currency swaps are measured at the present value of future cash flows based on the closing exchange rate.

- Put option: Discounted cash flow
Based on the results of the CRR binomial model evaluation and the probability of exercising the right to sell, put option liabilities are measured at the present value of future cash flows and discounted, based on appropriate discount rate.

- Redeemable convertible preference shares: Tsiveriotis-Fernandes Model
The holder of the convertible financial instrument uses a pricing model to determine its value during the holding period, taking into account the prices of underlying assets and bonds, and modeling the decision structure for conversion, holding or redemption. The pricing model distinguishes between equity value and debt value, and discounts each using risk-free and risk-adjusted rates, respectively.

- Marketable equity securities: Quoted bid prices in an active market
The fair value of marketable equity securities is measured using price disclosed in active market.

The Group recognizes movements between levels at the point in time of an event or situation change that brings about movement between levels. During the current year, there is no change in the valuation technique used to measure the fair value of Level 2 and Level 3 financial instruments.

(6) Reclassification of financial assets

There are no reclassified financial assets due to changes in purpose or use for the years ended December 31, 2022 and 2021.

43. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties and affiliates by the Monopoly Regulation and Fair Trade Act (the "Act") of the Republic of Korea as of December 31, 2022, are as follows:

Description	Name of related parties
Associates (*1)	Shinsegae Uijeongbu Station Development, SSG.COM, RCC (formerly, Rawrow) Suseo Station Transfer Complex Center Development (*1)
Joint ventures	Shinsegae Simon and Incheon Shinsegae
Affiliates by the Act (*2)	SCK company, Shinsegae Information & Communication, Shinsegae L&B, Shinsegae Food, Shinsegae Chosun Hotel, Shinsegae Engineering & Construction, E-mart, Starfield Hanam, E-mart Everyday, Shinsegae Youngrangho Resort, Starfield Cheongna, Shinsegae Property, E-mart24, Serinfood, Starfield Goyang, Smoothie King Korea, SP Cheongju Professional Investment Type Real Estate Investment Company, Starfield Changwon, Shinsegae Dong-Seoul PFV, Starfield Anseong, Electroman limited Company Specializing in the cultural industry, Starfield Suwon, Shinsegae Hwaseong, SSG landers, W Concept Korea, Emerald SPV, Pohang Primers Project Investment Finance, SP Namyangju Byeollae PFV, Apollo Korea, Gmarket (formerly, Gmarket Global), SMPMC, PLGRIM, etc.

(*1) During the current year, the Company was incorporated into an associate, as it was newly established through equity investment.
(*2) Companies designated as large enterprise groups by the Fair Trade Commission are classified as related parties based on substantive relationships under paragraph 10 of K-IFRS 1024, although they do not fall under the definition of related parties under paragraph 9 of K-IFRS 1024. This follows a resolution by the Securities and Futures Commission that such companies are classified as related parties based on substantive relationships in accordance with paragraph 10 of K-IFRS 1024.

Transactions between the Company and subsidiaries and outstanding balances with subsidiaries were eliminated for consolidation and not presented in notes.

(2) Transactions between the Group and other related parties or affiliates by the Act for the years ended December 31, 2022 and 2021, are as follows:

Related parties	2022	2021
	(In millions of Korean won)	
Sales and others (*1)	₩ 30,716	₩ 42,456
Purchases and others (*2)	130,901	111,130

Affiliates by the Act	2022	2021
	(In millions of Korean won)	
Sales and others (*1, 4)	₩ 118,280	₩ 131,976
Purchases and others (*3, 4)	378,609	515,224

(*1) It includes dividend income, etc.
(*2) Regarding lease transactions with related parties, the Group recognized ₩13,609 million and ₩13,634 million for depreciation of right-of use assets and ₩254 million and ₩270 million for interest expenses on lease liabilities for the years ended December 31, 2022 and 2021, respectively, and related lease payments are included in purchases and others.
(*3) Regarding lease transactions with affiliates by the Act, the Group recognized ₩15,189 million and ₩22,819 million for depreciation of right-of use assets, ₩19,880 million and ₩19,810 million for interest expenses on lease liabilities and ₩0 and ₩85,206 million for impairment loss for the years ended December 31, 2022 and 2021, respectively, and related lease payments are included in purchases and others.
(*4) During the current year, Shinsegae Live Shopping was incorporated as a subsidiary, and the transaction amount prior to acquisition of control is included.

(3) Outstanding balances with related parties or affiliates by the Act as of December 31, 2022 and 2021, are as follows:

Related parties	December 31, 2022	December 31, 2021
	(In millions of Korean won)	
Receivables and others	₩ 70,278	₩ 78,077
Payables and others (*1)	29,498	26,564

Affiliates by the Act	December 31, 2022	December 31, 2021
	(In millions of Korean won)	
Receivables and others	₩ 209,119	₩ 200,074
Payables and others (*2)	446,853	514,992

(*1) Regarding lease transactions with related parties, the Group recognized right-of-use assets of ₩255,302 million and ₩268,656 million and lease liabilities of ₩8,755 million and ₩9,227 million as of December 31, 2022 and 2021, respectively.

(*2) Regarding lease transactions with affiliates by the Act, the Group recognized right-of-use assets of ₩329,229 million and ₩389,009 million and lease liabilities of ₩363,333 million and ₩444,099 million as of December 31, 2022 and 2021, respectively.

(4) Equity transactions for the year ended December 31, 2022, between the Group and related parties or affiliates by the Act are as follows:

Name of related parties or affiliates by the Act	Description	2022	2021
		(In millions of Korean won)	
Incheon Shinsegae	Investments (cash and cash equivalents)	₩ 30,000	₩ -
Shinsegae Information & Communication, E-Mart	Acquisition of shares (cash and cash equivalents)	₩ 225,526	₩ -
Related parties to major shareholders	Acquisition of shares (cash and cash equivalents)	₩ -	₩ 228,499

(5) The compensation for the key management of the Group for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
	(In millions of Korean won)	
Salaries	₩ 19,951	₩ 18,116
Retirement benefits	2,838	2,792
	₩ 22,789	₩ 20,908

44. SUPPLEMENTARY INFORMATION ABOUT CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Cash generated from operating activities for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
	(In millions of Korean won)	
Net income	₩ 547,640	₩ 388,867
Adjustments:	558,692	482,062
Income tax expense (income)	(25,765)	128,708
Interest income	(24,878)	(7,415)
Dividend income	(14,020)	(11,048)
Interest expense	119,669	107,063
Gain on derivatives valuation	(35,677)	(41,779)
Gain on derivatives transaction	(9,439)	(1,312)
Loss on derivatives valuation	21,184	5,971
Loss on derivatives transaction	408	699
Retirement benefits	40,078	36,821
Depreciation	545,946	627,198
Amortization	32,260	24,419
Loss allowance for trade receivable	162	1,391
Loss allowance for other accounts receivable	174	1,485
Reversal of loss allowance for other accounts receivable	(985)	(4)
Reversal of impairment loss on other assets	(26)	-
Gain on disposal of property and equipment	(271)	(337)
Loss on disposal of property and equipment	11,817	41,672
Loss on impairment of property and equipment	1,442	-
Rental fee	(151,320)	(339,362)
Loss on disposal of right-of-use assets	328	6,242
Loss on impairment of right-of-use assets	9,787	104,233
Gain on disposal of right-of-use assets	(8,454)	(15)
Reversal of impairment loss on right-of-use assets	(2,948)	(17,414)
Gain on disposal of investment assets	(173)	(392)
Loss on impairment of investment assets	534	-
Loss on disposal of intangible assets	157	222
Gain on disposal of intangible assets	(3)	(389)
Loss on impairment of intangible assets	3,592	455
Loss on impairment of assets held for sale	1,041	-
Gain on disposal of assets held for sale	-	(5,416)
Gain on disposal of investment property	-	(1,818)
Loss (gain) on inventory valuation	(9,906)	(3,887)
Gain on valuation of financial assets measured at FVTPL	(16,169)	(12,984)
Loss on valuation of financial assets measured at FVTPL	6,471	3,172
Gain on disposal of financial assets measured at FVTPL	(177)	(670)
Gain on foreign currency translation	(5,625)	(2,621)
Loss on foreign currency translation	31,073	38,319
Loss on foreign currency transaction	5,925	-
Gain on investment in associate equity method	22,883	-
Loss on investment in associate equity method	-	11,338
Loss on disposal of investments in subsidiaries	42	-
Gain on disposal of investments in associates and joint ventures	(6,605)	-
Loss on disposal of investments in associates and joint ventures	-	30,976
Others	16,160	(241,459)
Changes in assets and liabilities:	(38,555)	332,870
Decrease in trade receivables	(27,563)	(51,188)
Decrease in accounts receivable	(52,906)	(52,299)
Decrease (increase) in accrued income	(114)	4,058
Decrease in advance payments	(46,559)	(8,253)
Decrease (increase) in prepaid expenses	(12,348)	866
Decrease (increase) in inventories	(94,162)	110,216
Decrease (increase) in other current assets	1	(1)
Increase in trade payables	49,872	17,291
Increase in accounts payable	187,077	246,317

		2022		2021
		(In millions of Korean won)		
Increase (decrease) in accrued expenses		(7,326)		5,281
Increase (decrease) in withholding deposits		6,362		(21,415)
Transfer to related company of defined benefit obligations		72		(137)
Payment of retirement benefits		(24,685)		(29,695)
Increase in plan assets		(74,031)		(17,347)
Increase in other liabilities		56,756		130,427
Increase (decrease) in provisions		999		(1,251)
Cash generated from operating activities	₩	1,067,777	₩	1,203,799

(2) Significant non-cash transactions of investment activities and financial activities for the years ended December 31, 2022 and 2021, are as follows:

		2022		2021
		(In millions of Korean won)		
Valuation of financial assets measured at FVTOCI	₩	(34,863)	₩	(67,575)
Transfers of debentures to current portion of debentures		960,340		512,162
Transfers of long-term borrowings to current portion of borrowings		250,171		(52,011)
Transfers of construction in progress to other accounts		128,585		761,271
Changes in accounts payable in relation to acquisition of tangible and intangible assets		4,115		(33,297)
Changes in accounts receivable in relation to disposal of tangible and intangible assets		4,207		1,220
Transfers between investment property and tangible assets		8,684		17,554
Increase in provision for restoring		1,986		1,884
Changes in accounts payable in relation to repayment of lease liabilities		-		4,064
Changes in accounts receivable in relation to disposal of investments in joint ventures		-		8,031
Recognition of right-of-use assets and lease liabilities		22,297		27,154
Transfers of non-current lease liabilities to current lease liabilities		-		28,218
Change of lease contract		(234,751)		(11,224)
Stock exchange		-		100,000

(3) Details of cash and cash equivalents as of December 31, 2022 and 2021, are as follows:

		December 31, 2022		December 31, 2021
		(In millions of Korean won)		
Cash	₩	23,913	₩	22,951
Deposits and others		914,060		554,837
	₩	937,973	₩	577,788

(4) Changes in liabilities arising from financial activities for the years ended December 31, 2022 and 2021, are as follows:

	2022						
		Cash flows		Non-cash transaction			
	Beginning balance	Borrowing	Repayment	Amortization	New leases	Others (*1)	Ending balance
	(In millions of Korean won)						
Borrowings	₩ 664,023	₩ 4,830,423	₩ (4,302,848)	₩ 318	₩ -	₩ (5,390)	₩ 1,186,526
Debentures	2,658,014	332,605	(512,750)	2,437	-	32,018	2,512,324
Lease liabilities (*2)	1,271,873	-	(70,825)	38,350	22,297	(391,797)	869,898
Hedge derivative liabilities (assets)	20,175	30,240	-	-	-	2,845	53,260
	₩ 4,614,085	₩ 5,193,268	₩ (4,886,423)	₩ 41,105	₩ 22,297	₩ (362,324)	₩ 4,622,008

(*1) Including variation of fair value, changes in foreign currency translation, transfer, business combination and other variations (include payment of interest expense on lease liabilities).
(*2) We applied a practical expedient that does not evaluate COVID-19 rental discounts as lease changes. This resulted in presenting the reduction in lease liabilities without cash outflows as other changes.

	2021						
		Cash flows		Non-cash transaction			
	Beginning balance	Borrowing	Repayment	Amortization	New leases	Others (*1)	Ending balance
	(In millions of Korean won)						
Borrowings	₩ 1,121,054	₩ 6,208,714	₩ (6,666,341)	₩ 291	₩ -	₩ 305	₩ 664,023
Debentures	2,054,936	1,021,971	(458,180)	1,707	-	37,580	2,658,014
Lease liabilities (*2)	1,754,156	-	(162,883)	48,975	27,154	(395,529)	1,271,873
Hedge derivative liabilities (assets)	(238)	-	-	-	-	238	-
	₩ 4,929,908	₩ 7,230,685	₩ (7,287,404)	₩ 50,973	₩ 27,154	₩ (357,406)	₩ 4,593,910

(*1) Including variation of fair value, changes in foreign currency translation, transfer and other variations (include payment of interest expense on lease liabilities).
(*2) We applied a practical expedient that does not evaluate COVID-19 rental discounts as lease changes. This resulted in presenting the reduction in lease liabilities without cash outflows as other changes.

45. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2022, fulfillment guarantee for business and others, amounting to ₩92.5 billion (2021: ₩80.3 billion), has been provided to the Group by Seoul Guarantee Insurance.

(2) As of December 31, 2022, the Group has a general loan agreement with KEB Hana Bank and others, amounting to ₩835.1 billion, $10 million (2021: ₩999 billion and $10 million and CNY3 million), respectively, which includes a note discounting agreement and a commercial paper purchasing agreement.

Also, the Group entered into overdraft and purchasing card agreements with KB Kookmin Bank and others with the credit limit of ₩391.2 billion, $62 million and JPY1,700 million (2021: ₩352.9 billion, $72 million and JPY1,700 million), respectively. And the Group has a facilities loans agreement with Korea Development Bank and others, with the credit limit of ₩147 billion (2021: ₩143 billion and $30 million).

The Group has import letters of credits agreement with KEB Hana Bank and others, amounting to $242 million (2021: $272 million), and has a credit line of derivatives with KB Kookmin Bank and others, amounting to $168 million and JPY400 million (2021: $168 million and JPY400 million).

(3) As of December 31, 2022, the Group is contingently liable for the remaining payables of E-mart Inc., from the spin-off date, May 1, 2011. The remaining liabilities as of December 31, 2022 and 2021, amount to ₩203,368 million and ₩205,513 million, respectively.

(4) As of December 31, 2022, the Company is contingently liable for the remaining payables of Shinsegae Mall Inc., from the spin-off date, December 27, 2018. The remaining liabilities as of December 31, 2022 and 2021, amount to ₩1,095 million and ₩781 million, respectively. Meanwhile, Shinsegae Mall Inc., was merged into SSG.COM in 2019.

(5) The Group is responsible for the operation of the department store business in accordance with the franchise and management contracts with Kyungbang Co., Ltd. and others. As of December 31, 2022, the Group and Kyungbang Co., Ltd. mutually provided a blank promissory note as collateral.

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

(7) As of February 17, 1996, the Group received a compensation for loss due to the construction of the subway system from the Seoul Metropolitan Rapid Transit Corporation. As a result, the Seoul Metropolitan Rapid Transit Corporation has established ground rights for the Group's land from February 9, 1996, to the existence of the subway (see Notes 14 and 15).

(8) The Group has a management contract with Marriott Hotel International, B.V. and a commission payment agreement with Global Hospitality Licensing S.A.R.L. ("GHL") for use of trademarks and others. The Group also has received international marketing services from GHL and being paid fees accordingly.

(9) Shinsegae Dongdaegu CTC, a subsidiary, entered into the contracts for development of Dongdaegu complex transfer center with Daegu metropolitan city and others. Details of the main contracts are as follows:

	Description
Daegu metropolitan city	Development agreement for effective implementation of developing Dongdaegu complex transfer center
Korea Railroad	Business agreement regarding railway development at Dongdaegu station

(10) As of December 31, 2022, the Company is the defendant in the pending litigation, mainly related to claims for damages and the amount of the lawsuit is ₩403 million. The amount and timing of the outflow of resources due to such litigation is unclear, and the outcome of the lawsuit shall not have a material effect on the Group's consolidated financial position.

(11) As of December 31, 2022, the Group has commissioned the operation and management of Daegu Terminal to the Korea Wide Terminal Co., Ltd. and entered into a consignment management contract to clarify rights and obligations in leasing convenience facilities in the terminal.

(12) The Group has distributor agreements with BVLGARI, under which the Group is paying certain percentage of net sales as loyalty.

(13) The Group is conducting promotional activities through travel agencies and freelancers. The amount recognized as fees and charges for the years ended December 31, 2022 and 2021, is ₩1,662,972 million and ₩1,000,937 million (excluding value-added tax), respectively, and the amount recognized as accounts payable for the years ended December 31, 2022 and 2021, is ₩7,304 million and ₩6,676 million, respectively.

(14) As of December 31, 2022, the Group has entered into an enforcement agreement with Daejeon Metropolitan City and Daejeon International Marketing Enterprise for the Service Concession Arrangements to develop Daejeon Expo Science Complex.

(15) As of December 31, 2022, the Group entered into a shareholders' agreement with Convergent Trade Channels Kft., Braxa Asia Fund I, L.P. and Braxa Asia II, LLC., which invested ₩700,000 million to SSG.COM Corp., a subsidiary of the Company, in order to decide necessary matters regarding operation of SSG.COM Corp., additional investment and disposal of shares. The details are as follows:

Description	Contents
Parties to an agreement	The major shareholders (E-MART Inc. and SHINSEGAE Inc.) Acquisitors (Convergent TradeChannels Kft., Braxa Asia Fund I, L.P., Braxa Asia II, LLC. and Commercial Trade Group L.P.)
Purchase rights	In the event that the total sales (GMV) requirement or IPO requirement of SSG.COM Corp. is not satisfied in the business year of 2023, the acquisitors may request that the major shareholders purchase all of the shares held by the acquisitors from May 1, 2024, to April 30, 2027.

Description	Contents
Default put option	If reasons for the default, such as violation of obligation, to appoint the acquisitors's executives and unilateral changes of capital structure or organization structure are caused by the major shareholders, the acquisitors may request that the major shareholders purchase entire shares held by the acquisitors.
Tag-along rights	If the acquisitors is not paid despite exercising stock option or default put option, the acquisitors may request to sell entire shares held by the major shareholders and the acquisitors.
Drag-along rights	If the major shareholders intend to transfer the shares issued by the target company, the acquisitors may ask the major shareholders to sell the shares held by the acquisitors together.
Condition to maintain position of affiliates and limitation on disposal of shares	SHINSEGAE Inc. and E-MART Inc., the major shareholders under the shareholders' agreement, are subject to restrictions on disposal of shares as they are obligated to maintain their position as affiliates and major shareholders.
Prohibition of competitive transactions	Without acquisitors' prior written consent, the major shareholders cannot operate online retail store businesses or similar ones other than through SSG.COM Corp. within the Republic of Korea. They are not allowed to compete with the target company by, for example, acquiring voting rights of a company, which owns online retail store business. Also, as allowed by the law, the Group and other related parties or affiliates by the Act must carry the same obligations.

(16) As of December 31, 2022, the Group has entered into agreements with E-Mart Inc., a related party, on exercising voting right and others for SSG.COM.

(17) As of December 31, 2022, the Group has entered into an asset-backed securitization contract for a lease deposit of ₩286.9 billion at Incheon Airport Terminal 1 and Incheon Airport Terminal 2 stores.

(18) In accordance with the resolution of the board of directors on March 16, 2021, the Company exchanged shares of subsidiaries to Naver's shares in order to strengthen and maintain a strategic business partnership with Naver. Stocks acquired by the Company are restricted from disposal for a certain period of time.

(19) The Group has venture funds in which Signite Partners is a business execution partner in the Group, and each venture funds stipulates the amount of investment agreement and the loss provision agreement according to the union's regulations.

1) The amount of investment agreement
Details of the amount of investment agreement related to each venture funds as of December 31, 2022 and 2021, are as follows:

	The amount of investment agreement	Accumulative investment amount			
		December 31, 2022		December 31, 2021	
		The Group	Other	The Group	Other
	(In millions of Korean won)				
Smart Shinsegae Signite Venture Fund	₩ 50,000	₩ 29,400	₩ 20,600	₩ 17,640	₩ 12,360
Smart Shinsegae Focus Venture Fund	30,000	12,000	12,000	6,000	6,000
Shinsegae Wellness Venture Fund	18,200	6,900	6,750	2,300	2,250
Signite-Thunder Venture Fund	23,000	23,000	-	23,000	-
Signite-Rael Venture Fund	26,010	14,510	11,500	-	-

2) The loss provision agreement for the allocation of venture funds' property
The regulations stipulate a loss provision agreement for the allocation of venture funds' property, and the specific loss provision agreement for the loss to be finalized at the time of liquidation is as follows:

	Agreements
Smart Shinsegae Signite Venture Fund	The Group shall cover the loss according to the Group's investment ratio among all members. The remaining losses will be appropriated preferentially for 10% of the fund's investment paid by Korea Fund of Funds. If there is any remaining loss, it is covered according to the investment ratio of members other than the Group, excluding the preferred loss allowance of the Korea Fund of Funds.
Smart Shinsegae Focus Venture Fund	Appropriation of losses based on the investment ratio
Shinsegae Wellness Venture Fund	Appropriation of losses based on the investment ratio
Signite-Thunder Venture Fund	Appropriation of losses based on the investment ratio
Signite-Rael Venture Fund	Appropriation of losses based on the investment ratio

(20) As of December 31, 2022, the Group holds shares in Seoul Auction Co., Ltd. and Seoul Auction Blue Co., Ltd. in order to strengthen and maintain a strategic business partnership with Seoul Auction Co., Ltd. We have entered into an agreement on rights to participate in joint sales and an agreement on preferential purchase right. The disposal of shares of Seoul Auction Co., Ltd. held by the Group is restricted for a certain period of time.

(21) As of December 31, 2022, the Group has acquired shares in the Suseo Station Transfer Complex Center Development Co., Ltd., and transfer of the shares is restricted for a certain period of time without prior consent from the Korea National Railway in accordance with the shareholder agreement signed with the Korea National Railway and others.

(22) The Group is restricted from disposing of its shares in Shinsegae Live Shopping, a subsidiary or providing collateral to a third party, in accordance with long-term borrowing agreement with Korea Development Bank. (See Notes 12 and 21.)

46. OPERATING LEASE:

(1) Details of operating leases as of December 31, 2022 and 2021, are as follows:

	December 31, 2022				
	Land	Buildings	Right-of-use assets	Investment property (land)	Investment property (buildings)
	(In millions Korean won)				
Acquisition cost	₩ 88,693	₩ 312,859	₩ 135,051	₩ 261,675	₩ 129,174
Accumulated depreciation	-	(104,712)	(32,048)	-	(77,346)
Accumulated impairment	-	-	(10,149)	-	-
Carrying amount	₩ 88,693	₩ 208,147	₩ 92,854	₩ 261,675	₩ 51,828

	December 31, 2021				
	Land	Buildings	Right-of-use assets	Investment property (land)	Investment property (buildings)
	(In millions Korean won)				
Acquisition cost	₩ 110,827	₩ 453,357	₩ 184,676	₩ 454,401	₩ 291,699
Accumulated depreciation	-	(137,765)	(40,158)	-	(47,681)
Accumulated impairment	-	-	(10,520)	-	-
Carrying amount	₩ 110,827	₩ 315,592	₩ 133,998	₩ 454,401	₩ 244,018

(2) Maturity analysis of operating lease contract as of December 31, 2022 and 2021, is as follows:

	December 31, 2022	December 31, 2021
	(In millions of Korean won)	
Less than 1 year	₩ 33,588	₩ 34,349
1 year–2 years	15,472	19,001
2 years–3 years	12,933	17,098
3 years–4 years	9,351	15,061
4 year–5 years	7,574	12,255
More than 5 years	70,673	84,466
	₩ 149,591	₩ 182,230

(3) Amounts recognized in profit and loss for the years ended December 31, 2022 and 2021, are as follows:

	December 31, 2022	December 31, 2021
	(In millions of Korean won)	
Rental income from operating leases	₩ 88,098	₩ 45,179
Rental income relating to variable rents that do not depend on an index or rate	605,692	480,666
	₩ 693,790	₩ 525,845

Assets subject to operating leases were calculated by proportionally dividing them by area ratio.

47. <u>EMISSION RIGHTS AND LIABILITIES:</u>

(1) The quantity of the emission allowances allocated free of charge for the three-year plan period from 2021 to 2025 as of December 31, 2022, is as follows:

Vintage Year	Quantity of emission allowances allocated free of charge
	(Unit: Korean Allowance Unit ("KAU"))
Allowances allotted for 2021	128,376
Allowances allotted for 2022	130,462
Allowances allotted for 2023	130,462
Allowances allotted for 2024	126,816
Allowances allotted for 2025	126,816
	642,932

(2) Details of changes in the quantity of the emission allowances and carrying amount for the years ended December 31, 2022 and 2021, are as follows:

	December 31, 2022					
	Allowances allotted for 2021		Allowances allotted for 2022		Allowances allotted for 2023	
	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount
	(Unit: KAU, in millions of Korean won)					
Beginning balance	155,593	₩ -	130,593	₩ -	130,593	₩ -
Free allocation	-	-	-	-	-	-
Cancel allocation	(2,217)	-	(131)	-	(131)	-
Disposal	(11,465)	-	-	-	-	-
Carried forward	(22,931)	-	22,931	-	-	-
Submission	(118,980)	-	-	-	-	-
Ending balance	-	₩ -	153,393	₩ -	130,462	₩ -

	Allowances allotted for 2024		Allowances allotted for 2025	
	Quantity	Carrying amount	Quantity	Carrying amount
	(Unit: KAU, in millions of Korean won)			
Beginning balance	126,943	₩ -	126,943	₩ -
Free allocation	-		-	-
Cancel allocation	(127)	-	(127)	-
Disposal	-	-	-	-
Carried forward	-	-	-	-
Submission	-	-	-	-
Ending balance	126,816	₩ -	126,816	₩ -

	December 31, 2021					
	Allowances allotted for 2020		Allowances allotted for 2021		Allowances allotted for 2022	
	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount
	(Unit: KAU, in millions of Korean won)					
Beginning balance	162,546	₩ -	-	₩ -	-	₩ -
Free allocation	-	-	132,364	-	132,364	-
Cancel allocation	(87)	-	(1,771)	-	(1,771)	-
Disposal	(14,474)	-	-	-	-	-
Carried forward	(25,000)	-	25,000	-	-	-
Submission	(122,985)	-	-	-	-	-
Ending balance	-	₩ -	155,593	₩ -	130,593	₩ -

	Allowances allotted for 2023		Allowances allotted for 2024		Allowances allotted for 2025	
	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount
	(Unit: KAU, in millions of Korean won)					
Beginning balance	-	₩ -	-	₩ -	-	₩ -
Free allocation	132,364		128,664	-	128,664	-
Cancel allocation	(1,771)	-	(1,721)	-	(1,721)	-
Disposal	-	-	-	-	-	-
Carried forward	-	-	-	-	-	-
Submission	-	-	-	-	-	-
Ending balance	130,593	₩ -	126,943	₩ -	126,943	₩ -

Meanwhile, no emission allowances are provided as collateral as of December 31, 2022 and 2021. The estimated quantity of greenhouse gas emission produced for the years ended December 31, 2022 and 2021, are 130,757 KAU and 121,440 KAU respectively.

48. ASSETS HELD FOR SALE:

Details of assets held for sale as December 31, 2022, are as follows:

	December 31, 2022
	(In millions of Korean won)
Current assets	₩ 492
Non-current assets	3,165
Total of assets classified as held for sale	3,657
Current liabilities	2,125
Non-current liabilities	1,366
Total liabilities classified as held for sale	3,491
Fair value of identifiable net assets	₩ 166

Meanwhile, as of December 31, 2022, the carrying value of the net assets of the asset group held for sale, which exceeds the expected sale price, was reduced, and as a result, an impairment loss of ₩1,041 million was recognized (see Note 37).

49. BUSINESS COMBINATIONS:

(1) Details of the business combinations for the year ended December 31, 2022, are as follows:

	Major business	Considered acquisition date	Acquired shares (%)	The consideration transferred
		(In millions of Korean won)		
Shinsegae Live Shopping	Online retail service	2022.07.31	76.08%	₩ 225,526

(2) The fair value of the consideration transferred for the year ended December 31, 2022, is as follows:

	Amount
	(In millions of Korean won)
Cash and cash equivalents	₩ 225,526

(3) The fair value of acquired assets and liabilities by the business combinations at the acquisition date for the year ended December 31, 2022, is as follows:

	Amount
	(In millions of Korean won)
Fair value of the identifiable assets	₩ 198,852
Current assets	
Quick assets	113,541
Inventory	5,651
	119,192
Non-current assets	
investment asset	8,000
Property and equipment	2,330
Right-of-use assets	7,980
Intangible assets	59,934
Other non-current assets	1,416
	79,660
Fair value of the identifiable liabilities	
Current liabilities	80,706
Non-current liabilities	20,853
	101,559
Fair value of identifiable net assets	₩ 97,293

(4) Details of non-controlling interests by the business combinations at the acquisition date for the year ended December 31, 2022, are as follows:

	Non-controlling interest rate (%)	Amount
		(In millions of Korean won)
Shinsegae Live Shopping	23.92%	₩ 23,271

(5) In the K-IFRSs No. 1103 'Business Combinations,' a business combination is defined as a transaction in which an acquirer obtains control over one or more businesses, and establishes a business combination unit as the accounting unit.

	Amount
	(In millions of Korean won)
The consideration transferred	₩ 225,526
Add: The non-controlling interest	23,271
Less: Fair value of identifiable net assets acquired	97,293
Goodwill	₩ 151,504

(6) Details of net cash outflow from the business combinations that occurred for the year ended December 31, 2022, is as follows:

		Amount
		(In millions of Korean won)
The consideration paid in cash and cash equivalents	₩	225,526
Acquisition-related costs		13
Less: Cash and cash equivalents acquired		59,116
Net cash outflow	₩	166,423

(7) Sales recognized in the current year do not include sales from Shinsegae Live Shopping prior to the business combination. If this business combination had occurred on January 1, 2022, the Group's sales would have increased by ₩160,572 million and net profit would have increased by ₩9,815 million.

50. EVENTS AFTER THE REPORTING PERIOD:

(1) February 22, 2023, at the board of directors' meeting, the Company decided to participate in the paid-in capital increase of Shinsegae Casa, a subsidiary of the Group, and invest an additional ₩40 billion.

(2) In order to enhance shareholder value through stock price stabilization, the Company decided to acquire treasury stocks (400,000 shares) in accordance with the resolution of the board of directors on March 3, 2023, and the expected acquisition period is March 6, 2023, to June 5, 2023.

(3) Gwangju Shinsegae, a subsidiary of the Group, decided to retire 42,810 treasury shares in accordance with the resolution of the board of directors on February 21, 2023, and the resolution will be finally approved at the shareholders' meeting on March 22, 2023. If it is finally approved at the shareholders' meeting, the effective date of the new shares is April 25, 2023.

(4) Shinsegae DF, a subsidiary of the Group, issued a new ₩150 billion of commercial paper and ₩70 billion of short-term bonds to repay commercial paper and use operating funds that expires in 2023.