HYUNDAI TRANSYS INC.

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

ATTACHMENT: INDEPENDENT AUDITOR'S REPORT

HYUNDAI TRANSYS INC.

INDEX

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INDEPENDENT AUDITOR'S REPORT

English Translation of Independent Auditor's Report Originally Issued in Korean on March 21, 2023

To the Shareholders and the Board of Directors of
HYUNDAI TRANSYS INC.:

Report on the Audited Separate Financial Statements

Our Opinion

We have audited the accompanying separate financial statements of Hyundai Transys Inc. (the "Company"), which comprise the separate statements of financial position as of December 31, 2022 and 2021, respectively, and the related separate statements of profit or loss, separate statements of changes in equity and separate statements of cash flows, all expressed in Korean won, for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, respectively, 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 Audit's of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the separate financial statements in the Republic of Korea, and 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.

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

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

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

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

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Auditor's Responsibilities for the Audits of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audits 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the Company 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.

Deloitte Anjin LLC

March 21, 2023

<u>Notice to Readers</u>

This report is effective as of March 21, 2023, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the separate financial statements and may result in modifications to the auditor's report.

HYUNDAI TRANSYS INC. (the “Company”)

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

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

Yeo, Sudong
Chief Executive Officer
Hyundai Transys Inc.

Headquarters: (Road Name and Address) 105, Sindang 1-ro, Seongyeon-myeon,
Seosan, Chungcheongnam-do
(Phone Number) 041-661-7114

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2022 AND 2021

	Notes	2022	2021
		(In millions of Korean won)	
Assets			
Current assets			
Cash and cash equivalents	4,19,32	₩ 238,100	₩ 92,681
Short-term financial instruments	4,8,19,32	415,000	483,300
Trade receivables	5,19,32,33	1,617,243	1,401,809
Other receivables	5,19,32,33	80,070	58,511
Inventories	6	395,970	425,543
Other financial assets	5,8,19,32	19,668	13,805
Other current assets	7	250,580	122,134
Current tax assets		2,480	1,110
		3,019,111	2,598,893
Non-current assets			
Trade receivables	5,19,32	-	8,916
Other receivables	5,19,32,33	44,834	54,397
Investments in subsidiaries, joint ventures and associates	9,33	814,310	699,168
Property, plant and equipment	10	1,391,013	1,465,550
Intangible assets	11	144,870	100,680
Right-of-use assets	12	336	734
Net defined benefit assets	15	120,082	71,640
Other financial assets	4,5,8,19,32	20,974	14,204
Other non-current assets	7	13,701	71,875
Deferred tax assets	18	199,347	168,582
		2,749,467	2,655,746
Total assets		₩ 5,768,578	₩ 5,254,639
Liabilities and equity			
Current liabilities			
Trade payables	19,32,33	₩ 1,187,308	₩ 1,001,048
Other payables	13,19,32,33	239,871	254,934
Short-term borrowings	5,14,19,31,32	62,690	3,111
Current portion of long-term debt and debentures	14,19,32	339,774	129,921
Provisions	16,31	241,440	145,491
Financial guarantee liabilities	19,31,32	13,581	22,092
Lease liabilities	12,19	126	484
Other current liabilities	17,23	185,124	142,834
		2,269,914	1,699,915

(Continued)

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2022 AND 2021

	Notes		2022		2021
			(In millions of Korean won)		
Non-current liabilities					
Debentures	14,19,32	₩	698,525	₩	838,003
Provisions	16		152,422		162,379
Lease liabilities	12,19		210		262
Other liabilities	13,19,32,33		905		403
Other non-current liabilities	17,23		80,946		72,449
			933,008		1,073,496
Total liabilities		₩	3,202,922	₩	2,773,411
Equity					
Capital stock	1,20	₩	409,489	₩	409,489
Other paid-in capital	20		1,150,090		1,150,090
Retained earnings	21		1,006,077		921,649
Total equity			2,565,656		2,481,228
Total liabilities and equity		₩	5,768,578	₩	5,254,639

(Concluded)

The above separate statements of financial position should be read in conjunction with the accompanying notes.

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF PROFIT OR LOSS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Notes		2022		2021
			(In millions of Korean won)		
Sales	23,33	₩	7,560,169	₩	6,478,145
Cost of sales	24,33		7,232,881		6,199,845
Gross profit			327,288		278,300
Selling and administrative expenses	24,25,33		316,075		239,611
Operating profit			11,213		38,689
Other income	26,33		84,446		68,811
Other expenses	27,33		118,794		78,155
Finance income	19,28,33		57,588		23,386
Finance costs	19,29		26,168		21,894
Profit before income tax expense			8,285		30,837
Income tax expense (income)	18		(29,305)		(11,836)
Profit for the year	21,22	₩	37,590	₩	42,673
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of net defined benefit liabilities (assets)	15,21		46,838		17,443
Total comprehensive income for the year		₩	84,428	₩	60,116
Earnings per share attributable to the equity holders *(in Korean won)*:	22				
Basic and diluted earnings per share		₩	460	₩	522

The above separate statements of profit or loss should be read in conjunction with the accompanying notes.

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock	Capital Surplus	Other Capital Items	Retained Earnings	Total
	(In millions of Korean won)				
Balance at January 1, 2021	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 861,533	₩ 2,421,112
Comprehensive income:					
Profit for the year	-	-	-	42,673	42,673
Other comprehensive income (loss):					
Remeasurements of net defined benefit liabilities (assets)	-	-	-	17,443	17,443
Total comprehensive income for the year	-	-	-	60,116	60,116
Balance at December 31, 2021	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 921,649	₩ 2,481,228

(Continued)

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock	Capital Surplus	Other Capital Items	Retained Earnings	Total
	(In millions of Korean won)				
Balance at January 1, 2022	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 921,649	₩ 2,481,228
Comprehensive income:					
Profit for the year	-	-	-	37,590	37,590
Other comprehensive income (loss):					
Remeasurements of net defined benefit liabilities (assets)	-	-	-	46,838	46,838
Total comprehensive income for the year	-	-	-	84,428	84,428
Balance at December 31, 2022	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 1,006,077	₩ 2,565,656

(Concluded)

The above separate statements of changes in equity should be read in conjunction with the accompanying notes.

HYUNDAI TRANSYS INC.

SEPARATE 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 operations	30	₩	234,346	₩	287,833
Interest received			25,335		15,472
Interest paid			(24,405)		(20,821)
Dividends received			31,433		7,702
Income tax paid			(16,728)		(14,053)
Net cash provided by operating activities			249,981		276,133
Cash flows from investing activities					
Increases in short-term financial instruments			68,300		(10,922)
Proceeds from disposal of property, plant and equipment			3,786		44,277
Proceeds from disposal of intangible assets			500		31
Acquisitions of investments in subsidiaries, joint ventures and associates			(165,691)		(197,704)
Acquisitions of property, plant and equipment			(89,383)		(132,389)
Acquisitions of intangible assets			(44,833)		(31,674)
Decreases (increases) in other financial assets, net			(6,304)		17,829
Net cash used in investing activities			(233,625)		(310,552)
Cash flows from financing activities	30				
Proceeds from short-term borrowings, net			62,183		(74,085)
Proceeds from borrowings and debentures			199,221		239,085
Repayments of borrowings and debentures			(130,000)		(209,844)
Repayment of lease liabilities			(416)		(915)
Net cash provided by financing activities			130,988		(45,759)
Net increase (decrease) in cash and cash equivalents			147,344		(80,178)
Cash and cash equivalents at the beginning of year			92,681		172,196
Effects of exchange rate changes on cash and cash equivalents			(1,925)		663
Cash and cash equivalents at the end of year	30	₩	238,100	₩	92,681

The above separate statements of cash flows should be read in conjunction with the accompanying notes.

HYUNDAI TRANSYS INC.

NOTES TO SEPARATE FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION:

General information of Hyundai Transys Inc. (the “Company”) is as follows:

The Company was incorporated on December 28, 1999, under the laws of the Republic of Korea to manufacture and distribute transmission and other parts for automobile. The Company merged with Korea Precision Co., Ltd., a manufacturer of automobile parts, on December 1, 2002. The Company changed its name from DYMOS INC. to Hyundai Dymos Inc. on December 27, 2010. Also, the Company merged with Hyundai Powertech Co., Ltd., and changed its name to Hyundai Transys Inc. in accordance with the resolution of the shareholders’ meeting on January 2, 2019.

The Company is authorized to issue 200 million ordinary shares with the par value per share of ₩5,000, of which a total of 81,897,803 shares, amounting to ₩409,489 million, have been issued as of December 31, 2022.

The Company’s major shareholders and their respective percentage of ownership as of December 31, 2022 and 2021, are as follows:

(In shares)	2022		2021	
	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)
Hyundai Motor Company	33,682,754	41.1	33,682,754	41.1
Kia Corporation	33,112,741	40.4	33,112,741	40.4
Hyundai Mobis	12,893,176	15.7	12,893,176	15.7
Treasury stock	160,007	0.2	160,007	0.2
Others	2,049,125	2.6	2,049,125	2.6
	81,897,803	100	81,897,803	100

2. SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of Preparation

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

The Company maintains its accounting records in Korean won and prepares statutory separate financial statements in the Korean language (Hangul) in accordance with Korean International Financial Reporting Standards (“K-IFRSs”). The accompanying separate financial statements have been condensed, restructured and translated into English from the Korean language separate financial statements.
Certain information attached to the Korean language separate financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

The separate financial statements of the Company have been prepared in accordance with K-IFRSs. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (“IASB”) that have been adopted by the Republic of Korea.

The preparation of separate financial statements requires the use of critical accounting estimates. Management also needs to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

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

In the current year, the Company 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 ("PP&E") 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 separate statements of profit or loss, the separate 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 separate statements of profit or loss include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of PP&E 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 separate 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 (Amendment)

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

① K-IFRS 1101 First-time Adoption of K-IFRS

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in K-IFRS 1101 paragraph D16(1) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to 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).

② K-IFRS 1109 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise 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.

③ K-IFRS 1116 Leases

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

④ 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 amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

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

At the date of authorisation of these financial statements, the Company has not applied the following new and revised K-IFRS Standards that have been issued but are not yet effective:

- K-IFRS 1117 Insurance Contracts

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

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

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

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

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

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

The amendments to K-IFRS 1001 affect only the presentation of liabilities as current or non-current in the separate 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, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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

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

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in 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 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 exercise price that is adjusted depending on the issuer's share price change is classified as 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 Polices, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates (Amendment)

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 IASB 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 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:
  o Right-of-use assets and lease liabilities
  o Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
• The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

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

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

2.2 Investment in Subsidiaries

Control is achieved when the Company 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 Company 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 Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's 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 other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- 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 decisions need to be made, including voting patterns at previous shareholders' meetings.

2.3 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 Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquire. 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 values 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 acquire or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquire are measured in accordance with K-IFRS 1102 share-based payment at the acquisition date; and
- 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 acquire and c) the fair value of the acquirer's previously held equity interest in the acquire (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 acquire and c) the fair value of the acquirer's PHI in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

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

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

When a business combination is achieved in stages, the Company's PHIs (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 acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest 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 Company 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.

2.4 Investments in Associates and Joint Ventures

An associate is an entity over which the Company 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 separate 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 separate statements of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company 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 Company'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 Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of K-IFRS 1028 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with 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.

2.5 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.

2.6 Revenue Recognition

(a) Sale of goods

The Company manufactures automobile components. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the purchaser has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(c) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable are impaired, the Company reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

(d) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.7 Lease

(a) The Company *as lessee*

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

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

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

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

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which 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 Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under 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 lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

The Company applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement 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 Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) The Company *as lessor*

The Company enters into lease agreements as a lessor with respect to some of its investment properties. The Company also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Company.

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

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

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

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

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

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

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

2.8 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.

2.9 Retirement Benefit Costs

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

For defined benefit 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 separate statements of financial position with a charge or credit to the separate statements of profit or loss in the period in which they occur. Remeasurements recognized in the separate statements of profit or loss are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs or when the Company 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 and losses on curtailments and settlements;
- Net interest expense or income;
- Remeasurements

Net interest expense or income is recognized within finance costs, and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

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

2.10 Taxation

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

(a) Current tax

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

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgment of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

(b) 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 separate 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 Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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.

(c) Current and deferred taxes for the year

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

2.11 Property, Plant and Equipment

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

Subsequent costs are recognized in 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 Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Representative useful lives
Buildings	50 years
Structures	25 years
Machinery and equipment	12 years
Dies, mold and tools	6 years
Vehicles	6 years
Office equipment	6 years

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

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

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

2.12 Intangible Assets

(a) 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.

	Representative useful lives
Industrial property rights	10 years
Software	6 years
Development costs	5 years
Customer relationship	5 years

(b) Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, only if, the development project is designed to produce new or substantially improved products and the Company can demonstrate the technical and economic feasibility and measure reliably the resources attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(c) 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.

(d) Derecognition of intangible assets

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

(e) 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.

2.13 Impairment of Tangible and Intangible Assets other than Goodwill

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

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

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

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

2.14 Government Grants

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

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

Government grants related to assets are presented in the separate statements of financial position by deducting the grant from the carrying amount of the asset (including property, plant 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 Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants towards 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.

2.15 Inventories

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

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

2.16 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

2.17 Cash and cash equivalents

In the separate statements 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 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 for investment or other purposes.

Bank balances for which use by the Company 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. Contractual restrictions affecting use of bank balances are disclosed. 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 separate statements of financial position.

For the purposes of the separate statements 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 Company's cash management. Such overdrafts are presented as short-term borrowings in the separate statements of financial position.

2.18 Financial Instruments

Financial assets and financial liabilities are recognized in the Company's separate statements of financial position when the Company becomes a party to the contractual provisions of the instrument.
Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

2.19 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 in their entirety at either amortized cost or fair value depending on the classification of the financial assets.

(a) 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 ("SPPI") 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 SPPI on the principal amount outstanding.

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

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

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.
- The Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(b) 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; and
- for equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

(c) Impairment of financial assets

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

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

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

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

(d) Derecognition of financial assets

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

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

2.20 Financial Liabilities and Equity Instruments

(a) Classification as debt or equity

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

(b) Equity instruments

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

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

(c) 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 issued by the Company, are measured in accordance with the specific accounting policies set out below.

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

(e) 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 instruments.

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, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

(f) 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 'other income and expenses' line item in profit or loss. 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.

(g) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled 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 Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company 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 interest 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 gains and losses.

2.21 Accounting Treatment Related to the Emission Rights Cap and Trade Scheme

The Company 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 Company paid to purchase the allowances. If emission rights the Government allocated free of charge are sufficient to settle the emission rights allowances allotted for vintage year, the emissions liabilities are measured at nil. However, for the emissions liabilities that exceed the allowances allocated free of charge, the shortfall is measured at best estimate at the end of the reporting period.

2.22 Approval of Separate Financial Statements

The separate financial statements were confirmed by the Board of Directors on February 27, 2023 and will be finally approved by shareholders' meeting on March 29, 2023.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The preparation of separate financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgment in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.
The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgment and assumptions of certain items is included in relevant notes.

(a) Income taxes

The Company's taxable income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

(b) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions, including the discount rate.

(c) Provisions

The Company recognizes provisions for warranties estimated based on past experience.

(d) Uncertainty in estimation of recoverable amount in COVID-19

The COVID-19 has caused an overall economic downturn, and the Company's subsidiaries, joint ventures and associates are also directly and indirectly affected by the COVID-19. The impact of COVID-19 continues as of the end of reporting period and it is uncertain how long it will last and how much it will affect it. Therefore, there is uncertainty in estimating the recoverable amount of the Company's subsidiaries, joint ventures and associates due to COVID-19. The Company estimates the recoverable amount of its subsidiaries, joint ventures and associates identified with signs of impairment based on the information which is available at the end of the reporting period, and the Company's management considers this assumption as reasonable.

The criteria for calculating the book value and recoverable amount of investments in subsidiaries, joint ventures and associates, which identified signs of impairment among the Company's subsidiaries, joint ventures and associates, but the recoverable amount exceeds the book value, are as follows:

(In millions of Korean won)

Investments in subsidiaries, joint ventures and associates		**Book Value**	**Standard for calculating recoverable amount**
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA	₩	20,973	Discounted Cash Flow

The key assumptions used to estimate the recoverable amount of the Company's subsidiaries, joint ventures and associates with a significant risk of causing a material adjustment in the next fiscal year among the its subsidiaries, joint ventures and associates for which signs of impairment have been identified are as follows:

A. Period for estimating future cash flows

The Company estimated future cash flows based on its financial budget/forecast over the next five years to estimate the value of use by subsidiaries, associates and joint ventures. Considering that subsidiaries, associates and joint ventures are continuing entities, it is reasonable to estimate the recoverable amount of a cash-generating unit on the basis of a financial budget that exceeds five years.

B. Key assumptions applied to estimating future cash flows

The key assumptions used by the Company to estimate the future cash flows of its subsidiaries, associates and joint ventures are as follows:

Operating income: Estimated by considering past operating income trend based on business plan.
Operating expenses: Estimated by classifying labor cost, variable cost, fixed cost, amortization cost and others.
Operating profit ratio: Estimated by considering past operating profit rate trend based on business plan.

C. Key Assumptions Applied to Estimating Discount Rate

Risk-free Interest rate: Bloomberg inquiry risk-free interest rate on the date of damage inspection
Market Risk Premium: Bloomberg inquiry average market risk premium in the past two years on the date of damage inspection.

Unleveraged Beta: Beta average for guideline companies operating similar industries on the date of damage inspection.

Target capital structure: Target capital structure ratio for benchmark companies operating in similar industries.

D. Sensitivity analysis

The assumption that responds most sensitively to the recoverable amount of the investments in subsidiaries, joint ventures and associates is the discount rate, and the recoverable amount that changes as the discount rate changes by 1%p is as follows, and the Company's management believes that the risk of additional impairment losses being recognized is not significant as a result of the sensitivity analysis.

Investments in subsidiaries, joint ventures and associates	(+)1%p	(-)1%p
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA	(-)7%p	(+)9%p

4. RESTRICTED FINANCIAL INSTRUMENTS:

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

(In millions of Korean won)

Description	Financial institution	2022	2021	Usage restriction details
Cash and cash equivalents	Woori Bank and Others	₩ 271	₩ 267	Dedicated to national projects
Short-term financial instruments	Industrial Bank of Korea	30,000	20,000	Shared Growth Deposit
Other financial assets	Shinhan Bank and Others	21	21	Overdraft deposit and Others
Total		₩ 30,292	₩ 20,288	

5. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS AT AMORTIZED COST:

(1) Components of trade receivables and other financial assets at amortized cost as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022	2021
Total trade notes and accounts receivable	₩ 1,655,232	₩ 1,476,361
Less: Loss allowance	(37,989)	(65,636)
Subtotal	1,617,243	1,410,725
Other receivables:		
Non-trade receivables	124,420	112,734
Accrued revenue	1,965	1,157
Less: Loss allowance	(1,481)	(983)
Subtotal	124,904	112,908
Other financial assets	33,253	28,150
Less: Loss allowance	(2,104)	(1,568)
Subtotal	31,149	26,582
Total	₩ 1,773,296	₩ 1,550,215

(2) Movements on the provisions for impairment of trade receivables and other financial assets at amortized cost for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			2021		
Description	Total trade notes and accounts receivable	Non-trade receivables	Other financial assets	Total trade notes and accounts receivable	Non-trade receivables	Other financial assets
Beginning Balance	₩ 65,636	₩ 983	₩ 1,568	₩ 63,550	₩ 251	₩ 3,779
Impairment loss	(13,047)	498	536	2,086	732	(2,211)
Write-off	(14,600)	-	-	-	-	-
Ending Balance	₩ 37,989	₩ 1,481	₩ 2,104	₩ 65,636	₩ 983	₩ 1,568

The Company recognizes impairment loss on an individual basis for customers with impairment events. For customers without impairment events, the Company recognizes impairment loss on a collective basis using historical experience rate.

(3) As of December 31, 2022 and 2021, the aging analysis of trade receivables is as follows:

(In millions of Korean won)

Description		2022		2021
Not due	₩	1,616,941	₩	1,398,374
Overdue:				
Within 30 days		882		7,050
Within 180 days and more than 31 days		2,267		14,896
More than 181 days		35,142		56,041
Total amounts	₩	1,655,232	₩	1,476,361
Amount of impaired receivables (*)	₩	38,291	₩	74,552

(*) As of December 31, 2022, the provision for loss for impaired receivables is ₩37,989 million (2021: ₩65,636 million).

(4) Transfer of financial assets

- Financial assets that were transferred but not derecognized

The Company discounts trade receivables from companies with significant influence through factoring contracts with financial institutions. This transaction is accounted for as a secured borrowing if the Company has a liability to pay the amount to the bank in the event of an insolvency of clients. At the end of the reporting period, the total amount of trade receivables derecognized is ₩62,690 million (2021: ₩3,111 million).

- Financial assets that were derecognized

The Company is able to transfer some of the trade receivables to financial institutions on the condition of non-recourse terms and is removing the trade receivables from the separate financial statements at the date of transfer as most of the risks and rewards are transferred.

6. INVENTORIES:

Inventories as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022						2021					
Description		Acquisition cost		Valuation reserve		Total		Acquisition cost		Valuation reserve		Total
Merchandise	₩	57,045	₩	(2,041)	₩	55,004	₩	39,866	₩	(1,464)	₩	38,402
Finished goods		130,830		(6,428)		124,402		166,663		(5,569)		161,094
Semifinished goods		75,983		(2,687)		73,296		81,910		(2,717)		79,193
Raw materials		61,016		(5,559)		55,457		63,664		(6,748)		56,916
Supplies		35,093		(11,739)		23,354		33,627		(11,701)		21,926
Materials in transit		64,457		-		64,457		68,012		-		68,012
Total	₩	424,424	₩	(28,454)	₩	395,970	₩	453,742	₩	(28,199)	₩	425,543

The cost of inventories included in cost of goods sold for the years ended December 31, 2022 and 2021, is ₩6,390,375 million and ₩5,418,274 million, respectively (see Note 24).

7. OTHER ASSETS:

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

(In millions of Korean won)

Description	2022				2021			
	Current		Non-current		Current		Non-current	
Advanced payments	₩	235,836	₩	13,701	₩	99,636	₩	71,875
Prepaid expenses		14,744		-		22,498		-
Total	₩	250,580	₩	13,701	₩	122,134	₩	71,875

8. FINANCIAL ASSETS AT FAIR VALUE:

(1) Financial assets at fair value as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022 Financial instruments at FVTPL		2021 Financial instruments at FVTPL	
Investment in capital of partnership (*1)	₩	514	₩	503
Non-Marketable equity securities (*1)		2,124		924
Marketable equity securities (*2)		6,855		-
Money market trust (*3)		-		223,300
Total	₩	9,493	₩	224,727

(*1) Included in other non-current financial assets.
(*2) Included in other current financial assets. Stocks are suspended from trading as of December 31, 2022.
(*3) Included in short-term financial instruments.

(2) Changes in financial assets at fair value for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022		2021	
Beginning Balance	₩	224,727	₩	258,995
Acquisition (Disposal) (*1)		(222,100)		(34,268)
Valuation		11		-
Transfer (*2)		6,855		-
Ending Balance	₩	9,493	₩	224,727

(*1) Net increase or decrease was indicated due to frequent acquisition and disposition.
(*2) It is replaced from non-current trade receivables and other receivables due to debt for equity swaps.

9. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES:

(1) Investments in subsidiaries, joint ventures and associates as of December 31, 2022 and 2021, are as follows:

Description	Name of company	Controlling percentage of ownership (%)	2022 Acquisition value	2022 Book value	2021 Book value
Subsidiaries	HYUNDAI MSEAT(*1)	99.87	₩ 64,990	₩ 64,990	₩ 50,990
	Hyundai Transys Czech, s.r.o.	100.00	-	-	-
	HYUNDAI TRANSYS LEARAUTOMOTIVE INDIA PRIVATE LIMITED	65.00	11,881	11,881	11,881
	Hyundai Transys Powertrain System (Rizhao) Co., Ltd.	100.00	13,402	13,402	13,402
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	100.00	31,094	20,973	20,973
	Automotive Seat System Dymos Mexico S. De R.L. DE C.V. (*2)	100.00	2,150	1,680	1,680
	Sichuan Hyundai Transys Automotive System Co., Ltd.(*3)	100.00	83,309	-	-
	Hyundai Transys America, Inc(*4)	100.00	125,741	125,741	8,282
	Hyundai Transys Slovakia s.r.o.	100.00	7,483	7,483	7,483
	Hyundai Transys Mexico Seating System, S. de R.L. de C.V.(*5)	100.00	13,970	-	13,970
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	100.00	78,489	78,489	78,489
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V	99.90	113,346	94,698	94,698
	Hyundai Transys Georgia Powertrain, Inc	71.27	201,251	201,251	208,482
	HYUNDAI TRANSYS RUS LLC	100.00	2,027	2,027	2,027
	Subtotal		749,133	622,615	512,357
Joint ventures and Associates	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.(*6,7)	50.00	9,726	2,061	-
	Beijing Hyundai Transys Transmission Co., Ltd.	31.96	120,375	77,384	77,384
	BAIC DYMOS Automotive System Co., Ltd. (*7)	50.00	7,569	7,569	7,569
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd. (*7,8)	50.00	6,923	-	1,546
	Hyundai Transys (Shandong) Co., Ltd.(*9)	35.00	121,915	92,138	87,769
	PT APM HYUNDAI TRANSYS INDONESIA (*7)	50.00	12,543	12,543	12,543
	Subtotal		279,051	191,695	186,811
	Total		₩ 1,028,184	₩ 814,310	₩ 699,168

(*1) Due to disproportional paid-in-capital increase for the year ended December 31, 2022, the Company's ownership percentage increased from 99.85% to 99.87%, and the amount of capital increase is ₩14,000 million.

(*2) The liquidation process is in progress.

(*3) The Company participates paid-in-capital increase for the year ended December 31, 2022, and the amount of capital increase is ₩ 27,802million. Impairment loss of ₩27,802 million was recognized.

(*4) The Company participates paid-in-capital increase for the year ended December 31, 2022, and the amount of capital increase is ₩ 117,459 million

(*5) Impairment loss of ₩ 13,970 million was recognized during the current term.
(*6) Ownership ratio increased from 40% to 50% because of acquiring equity held by other shareholder during current year, and acquisition cost was ₩ 2,061 million.
(*7) It was classified as a joint venture based on joint control in accordance with inter-shareholder agreement.
(*8) Impairment loss of ₩1,546 million was recognized during the current term.
(*9) The Company participates paid-in-capital increase for the year ended December 31, 2022, and the amount of capital increase is ₩4,369 million.

(2) Changes in subsidiaries, joint ventures and associates for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022	2021
Beginning Balance	₩ 699,168	₩ 526,721
Acquisition	165,691	253,933
Disposal	(7,231)	(48,998)
Impairment	(43,318)	(32,488)
Ending Balance	₩ 814,310	₩ 699,168

10. PROPERTY, PLANT AND EQUIPMENT ("PP&E"):

Changes in PP&E for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022						
Description	Land	Building	Structures	Machinery	Others	Construction in progress	Total
Beginning Balance	₩268,263	₩ 466,841	₩ 29,330	₩ 589,753	₩ 56,197	₩ 55,166	₩ 1,465,550
Acquisition	-	-	-	-	-	94,654	94,654
Disposal	(114)	(955)	-	(2,163)	(1,310)	-	(4,542)
Transfer (*)	-	3,794	3,533	75,760	28,111	(128,119)	(16,921)
Depreciation	-	(15,610)	(2,794)	(113,098)	(18,833)	-	(150,335)
Others	-	-	-	-	-	2,607	2,607
Ending Balance	₩268,149	₩ 454,070	₩ 30,069	₩ 550,252	₩ 64,165	₩ 24,308	₩ 1,391,013
Acquisition cost	268,149	556,716	50,149	1,307,655	189,743	24,308	2,396,720
Accumulated depreciation	-	(102,422)	(19,615)	(752,212)	(125,575)	-	(999,824)
Accumulated impairment	-	(224)	(465)	(5,191)	(3)	-	(5,883)

(*) Included in ₩ 16,921 million transferred to intangible assets.

(In millions of Korean won)

Description							
	2021						
Description	Land	Building	Structures	Machinery	Others	Construction in progress	Total
Beginning Balance	₩ 268,743	₩ 483,268	₩ 32,123	₩ 647,331	₩ 56,072	₩ 92,112	₩ 1,579,649
Acquisition	-	-	-	-	-	113,570	113,570
Disposal	(480)	(1,674)	-	(40,122)	(1,142)	-	(43,418)
Transfer (*)	-	835	356	114,415	20,061	(150,516)	(14,849)
Impairment	-	-	-	(5,191)	(3)	-	(5,194)
Depreciation	-	(15,588)	(3,149)	(126,680)	(18,791)	-	(164,208)
Ending Balance	₩ 268,263	₩ 466,841	₩ 29,330	₩ 589,753	₩ 56,197	₩ 56,166	₩ 1,465,550
Acquisition cost	268,263	554,049	46,616	1,253,583	170,432	55,166	2,348,109
Accumulated depreciation	-	(86,984)	(16,821)	(647,150)	(114,163)	-	(865,118)
Accumulated impairment	-	(224)	(465)	(16,680)	(72)	-	(17,441)

(*) Included in ₩10,798 million transferred to intangible assets and ₩4,051 million transferred to other receivable.

11. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022				
Description	Software	Development Cost	Customer Relationship	Other Intangible Assets	Total
Beginning Balance	₩ 28,435	₩ 46,524	₩ 1,920	₩ 23,802	₩ 100,681
Acquisition	-	44,833	-	-	44,833
Transfer (*)	15,321	-	-	1,600	16,921
Disposal	-	-	-	(511)	(511)
Amortization	(10,749)	(5,345)	(960)	-	(17,054)
Ending Balance	₩ 33,007	₩ 86,012	₩ 960	₩ 24,891	₩ 144,870
Acquisition cost	78,320	96,327	15,200	24,891	214,738
Accumulated depreciation	(45,313)	(10,315)	(14,240)	-	(69,868)

(*) Included in ₩16,921 million transferred to software and other intangible assets from PP&E.

(In millions of Korean won)

	2021					
Description	Industrial property rights	Software	Development Cost	Customer Relationship	Other Intangible Assets	Total
Beginning Balance	₩ 497	₩ 26,239	₩ 17,490	₩ 9,120	₩ 23,809	₩ 77,155
Acquisition	-	383	31,267	-	24	31,674
Transfer (*)	(497)	11,295	-	-	-	10,798
Disposal	-	-	-	-	(31)	(31)
Impairment	-	-	(316)	(5,200)	-	(5,516)
Amortization	-	(9,482)	(1,917)	(2,000)	-	(13,399)
Ending Balance	₩ -	₩ 28,435	₩ 46,524	₩ 1,920	₩ 23,802	₩ 100,681
Acquisition cost	-	62,998	51,494	15,200	23,802	153,494
Accumulated depreciation	-	(34,563)	(4,970)	(13,280)	-	(52,813)

(*) Included in ₩10,798 million transferred to software from PP&E.

(2) The details of the research and development activities as of December 31, 2022 and 2021, are as follows:

Description	2022		2021	
Development costs (intangible assets)	₩	44,833	₩	31,267
Ordinary research and development expenditures (*1)		73,864		65,864
Total (*2)	₩	118,697	₩	97,131

(*1) Consists of manufacturing costs, administrative expenses and other expenses.
(*2) Amorization of development expenses is not included.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES:

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

(In millions of Korean won)

Description	2022		2021	
Beginning Balance	₩	734	₩	1,615
Depreciation		(398)		(881)
Ending Balance	₩	336	₩	734

The right-of-use assets above consist of land, offices, vehicles, etc.

(2) The details of the lease liabilities as of the end of the current term are as follows:

(In millions of Korean won)

Description	2022		2021	
Lease liabilities before discount	₩	454	₩	871
Lease liabilities after discount		336		746
Current		126		484
Non-current		210		262

The incremental borrowing rate applied to calculate lease liability is 1.90%.

(3) Changes in lease liability for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022		2021	
Beginning Balance	₩	746	₩	1,645
Payment		(416)		(916)
Interest expenses		6		17
Ending Balance	₩	336	₩	746

(4) Earnings and losses recognized for the 12 months ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description		2022		2021
Depreciation of right-of-use assets	₩	398	₩	881
Interest expenses of lease liabilities		6		17
Expense of short-term leases and leases of low-value assets		564		452
Total	₩	968	₩	1,350

(5) The maturity analysis of the lease liabilities as of the end of the current term is as follows:

(In millions of Korean won)

Description		2022		2021
Not later than one year	₩	127	₩	416
Later than one year and not later than two years		9		127
Later than two years and not later than three years		7		9
Later than three years and not later than four years		7		7
Later than four years and not later than five years		7		7
Later than five years		297		304
Total	₩	454	₩	870

13. OTHER PAYABLES:

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

(In millions of Korean won)

Description		2022		2021
Current				
Accounts payable	₩	215,125	₩	206,165
Accrued expenses		24,746		48,769
Subtotal		239,871		254,934
Non-current				
Accounts payable		905		403
Total	₩	240,776	₩	255,337

14. BORROWINGS AND DEBENTURES:

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

(In millions of Korean won)

Lender	Breakdown	Interest rate of December 31, 2022 (%)		2022		2021
Woori Bank and others	Discount on foreign currency sales receivables	2.99–4.65	₩	62,690	₩	3,111
	Total		₩	62,690	₩	3,111

(2) Debentures as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	Issue date	Maturity date	Interest rate (%)	2022	2021
36-2nd Non-guaranteed public debentures	2017-02-28	2022-02-28	-	-	40,000
37-2nd Non-guaranteed public debentures	2017-09-11	2022-09-08	-	-	30,000
38-2nd Non-guaranteed public debentures	2018-06-14	2023-06-14	3.02	30,000	30,000
39-2nd Non-guaranteed public debentures	2018-08-27	2023-08-25	2.61	30,000	30,000
40-1st Non-guaranteed public debentures	2019-06-28	2022-06-28	-	-	60,000
40-2nd Non-guaranteed public debentures	2019-06-28	2024-06-28	1.89	180,000	180,000
40-3rd Non-guaranteed public debentures	2019-06-28	2026-06-26	2.17	40,000	40,000
41-1st Non-guaranteed public debentures	2020-05-27	2023-05-26	1.79	280,000	280,000
41-2nd Non-guaranteed public debentures	2020-05-27	2025-05-27	1.83	40,000	40,000
42-1st Non-guaranteed public debentures	2021-02-03	2024-02-02	1.26	90,000	90,000
42-2nd Non-guaranteed public debentures	2021-02-03	2026-02-03	1.63	150,000	150,000
43-1st Non-guaranteed public debentures	2022-02-16	2027-02-16	2.99	160,000	-
43-2nd Non-guaranteed public debentures	2022-02-16	2027-02-16	3.03	40,000	-
Subtotal				1,040,000	970,000
Less: Discounts on bonds payable				(1,701)	(2,076)
Less: Current portion of bonds payable				(339,774)	(129,921)
The balance				₩ 698,525	₩ 838,003

15. NET DEFINED BENEFIT LIABILITIES (ASSETS):

(1) Details of net defined benefit liabilities (assets) as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022	20221
Present value of defined benefit obligation	₩ 205,758	₩ 252,857
Fair value of plan assets	(325,770)	(324,421)
National Pension Conversion Fund	(70)	(76)
Total	₩ (120,082)	₩ (71,640)

(2) Profits and losses recognized in relation to the defined benefit liabilities (assets) for the 12 months ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022		2021	
Current service cost	₩	28,676	₩	30,518
Interest cost (income)		(2,408)		(691)
Past service cost		2,343		732
Total	₩	28,611	₩	30,559

(3) Changes in defined benefit obligation for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022		2021	
Beginning Balance	₩	252,857	₩	256,981
Current service cost		28,676		30,518
Interest cost		7,603		6,580
Past service cost		2,343		732
Remeasurements:				
Actuarial gains arising from experience adjustments		6,972		(5,244)
Actuarial losses arising from changes in demographic assumptions		-		(353)
Actuarial losses arising from changes in financial assumptions		(71,834)		(19,277)
Subtotal		(64,862)		(24,874)
Benefits paid		(20,858)		(17,080)
Ending Balance	₩	205,759	₩	252,857

(4) Changes in plan assets for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022		2021	
Beginning Balance	₩	324,497	₩	278,292
Employer's contribution		17,327		55,600
Interest income		10,011		7,271
Benefits paid		(21,868)		(14,804)
Remeasurements:				
Difference between interest income and actual income		(4,127)		(1,862)
Ending Balance	₩	325,840	₩	324,497

(5) The major actuarial assumptions used as of the end of the reporting period are as follows:

Description	2022	2021
Discount rate	5.54%	3.12%
Rate of expected future salary increase	3.96%	3.95%

(6) The details of the composition of plan assets as of the end of the reporting year are as follows:

(In millions of Korean won)

	2022			2021		
Description	Amount		Component ratio (%)	Amount		Component ratio (%)
Time deposits and others	₩	324,497	100.00%	₩	278,292	100.00%

(7) If each significant actuarial assumption as of the end of the reporting year changes within the reasonable extent, the impact on the defined benefit obligation is as follows:

Description	**Changes in significant assumptions**	**Changes in liabilities**
Discount rate	Increase by 1% / Decrease by 1%	Decrease by 10.7% / Increase by 12.7%
Rate of expected future salary increase	Increase by 1% / Decrease by 1%	Increase by 13.1% / Decrease by 11.1%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized in the separate statements of financial position. The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the prior year.

(8) The weighted-average duration of the defined benefit obligations is 12.7 years (2021: 14.4 years).
The expected maturity analysis of undiscounted pension benefits as of December 31, 2022, is as follows

(In millions of Korean won)

Description	**Not later than one year**	**Later than one year and not later than two years**	**Later than two years and not later than five years**	**Later than five Years**	**Total**
Benefits paid	₩ 5,750	₩ 8,555	₩ 45,529	₩ 1,231,527	₩ 1,291,361

16. PROVISIONS:

The Company estimates amounts expected to be spent on free warranty service based on warranty period and history of actual claim amounts, and recognizes it in the separate statements of financial position as provision for warranty.

Changes in provision for warranty and other provision for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
Description	**Provision for warranty**	**Other long-term employee Benefit**	**Other Provision**	**Total**
Beginning Balance	181,026	38,658	88,185	307,869
Charged	41,503	(2,637)	87,296	126,162
Utilized	(43,762)	(2,036)	-	(45,798)
Others	-	-	5,629	5,629
Ending Balance	178,767	33,985	181,110	393,862
Less: Current item	60,330	-	181,110	241,440
Non-current item	118,437	33,985	-	152,422

(In millions of Korean won)

Description	2021 Provision for warranty	2021 Other long-term employee Benefit	2021 Other Provision	2021 Total
Beginning Balance	192,647	36,806	68,446	297,899
Charged	26,202	4,562	6,995	37,759
Utilized	(37,823)	(2,710)	-	(40,533)
Others	-		12,745	12,745
Ending Balance	181,026	38,658	88,186	307,870
Less: Current item	57,305	-	88,186	145,491
Non-current item	123,721	38,658	-	162,379

17. OTHER LIABILITIES:

Other Liabilities as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022 Current		2022 Non-current		2021 Current		2021 Non-current	
Advance received	₩	171,221	₩	80,946	₩	132,534	₩	72,449
Deposit received		13,903		-		10,300		-
Total	₩	185,124	₩	80,946	₩	142,834	₩	72,449

18. CURRENT AND DEFERRED TAXES:

(1) Income tax expenses for the years ended December 31, 2022 and 2021, consist of the following:

Description	2022		2021	
In respect of current year (*)	₩	15,358	₩	16,688
Changes in deferred taxes relating to temporary differences		(30,765)		(22,955)
Total of income tax effect		(15,407)		(6,267)
Items that are charged or credited directly to equity		(13,898)		(5,569)
Income tax expense		(29,305)		(11,836)

(*) Additional tax payment was adjusted to income taxes.

(2) The reconciliation of income before income tax to income tax expense pursuant to Corporate Income Tax Law of Korea for the years ended December 31, 2022 and 2021, is as follows:

(In millions of Korean won)

Description		2022		2021
Profit before income tax	₩	8,285	₩	30,838
Income tax expense calculated at the applicable tax rates	₩	1,801	₩	7,001
Income tax effect:				
Non-taxable income		(33,865)		(31,986)
Non-deductible expenses		2,745		2,128
Foreign tax payment credit, tax credit, and additional tax payment of prior year		(10,919)		(285)
Effect of temporary difference and others not recognized as deferred tax and of tax rate difference		5,323		6,985
Effect of changes in tax rate to recognize deferred tax		6,397		-
Others		(787)		4,321
Income tax expense (income)	₩	(29,305)	₩	(11,836)
Effective tax rate (*)		-%		-%

(*) Effective tax rate was not calculated in 2022 and 2021 due to the occurrence of income tax income.

(3) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(In millions of Korean won)

	2022							
Description		Beginning		Recognized in profit or loss		Equity		End of the year
Accrued income	₩	(280)	₩	(174)	₩	-	₩	(454)
Trade receivables		14,413		(8,386)		-		6,027
Inventories		6,823		(250)		-		6,573
Financial assets measured at FVTPL		846		3,332		-		4,178
PP&E		19,029		(5,407)		-		13,622
Intangible assets		8,349		(2,834)		-		5,515
Investments in subsidiaries, joint ventures and associates		(2,198)		5,508		-		3,310
Defined benefit liabilities		60,422		1,007		(14,850)		46,579
Plan assets		(71,311)		1,543		953		(68,815)
Other provisions		9,355		(1,504)		-		7,851
Warranty		43,808		(2,513)		-		41,295
Deduction of carryover losses		23,484		8,010		-		31,494
Carry-over tax credit		27,855		28,227		-		56,082
Others		27,987		18,103		-		46,090
Total	₩	168,582	₩	44,662	₩	(13,897)	₩	199,347

(In millions of Korean won)

Description	2021 Beginning	Recognized in profit or loss	Equity	End of the year
Accrued income	₩ (192)	₩ (88)	₩ -	₩ (280)
Trade receivables	14,080	333	-	14,413
Inventories	6,858	(35)	-	6,823
Financial assets measured at FVTPL	846	-	-	846
PP&E	20,578	(1,549)	-	19,029
Intangible assets	10,160	(1,811)	-	8,349
Investments in subsidiaries, joint ventures and associates	(2,252)	54	-	(2,198)
Defined benefit liabilities	61,045	5,396	(6,019)	60,422
Plan assets	(65,325)	(6,436)	450	(71,311)
Other provisions	8,907	448	-	9,355
Warranty	49,335	(5,527)	-	43,808
Deduction of carryover losses	9,953	13,531	-	23,484
Carry-over tax credit	10,990	16,865	-	27,855
Others	20,644	7,343	-	27,987
Total	₩ 145,627	₩ 28,524	₩ (5,569)	₩ 168,582

(4) The Company did not recognize deferred tax assets for deductible temporary differences of ₩254,982 million (2021: ₩214,765 million) and deferred tax liabilities for taxable temporary differences of ₩11,632 million (2021: ₩20,728 million) related to its investments in subsidiaries and associates because they are not realizable.

19. FINANCIAL INSTRUMENTS:

(1) Details of financial assets and financial liabilities as of December 31, 2022, are as follows:

(In millions of Korean won)

Description	Financial assets measured at amortized cost	Financial assets measured at FVTPL	Financial liabilities measured at amortized cost	Total
Cash and cash equivalents	₩ 238,100	₩ -	₩ -	₩ 238,100
Short-term financial instruments	415,000	-	-	415,000
Trade notes and accounts receivable and other receivables	1,742,147	-	-	1,742,147
Other financial assets	31,149	9,493	-	40,642
Total financial assets	₩ 2,426,396	₩ 9,493	₩ -	₩ 2,435,889
Trade notes and accounts payable and other payables	₩ -	₩ -	₩ 1,428,084	₩ 1,428,084
Borrowings and debentures	-	-	1,100,989	1,100,989
Financial guarantee liabilities	-	-	13,581	13,581
Lease liabilities	-	-	336	336
Total financial liabilities	₩ -	₩ -	₩ 2,542,990	₩ 2,542,990

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

(In millions of Korean won)

Description	Financial assets measured at amortized cost	Financial assets measured at FVTPL	Financial liabilities measured at amortized cost	Total
Cash and cash equivalents	₩ 92,681	₩ -	₩ -	₩ 92,681
Short-term financial instruments	260,000	223,300	-	483,300
Trade notes and accounts receivable and other receivables	1,523,633	-	-	1,523,633
Other financial assets	26,582	1,427	-	28,009
Total financial assets	₩ 1,902,896	₩ 224,727	₩ -	₩ 2,127,623
Trade notes and accounts payable and other payables	₩ -	₩ -	₩ 1,256,385	₩ 1,256,385
Borrowings and debentures	-	-	971,035	971,035
Financial guarantee liabilities	-	-	22,092	22,092
Lease liabilities	-	-	746	746
Total financial liabilities	₩ -	₩ -	₩ 2,250,258	₩ 2,250,258

(2) Income and expenses from financial assets and liabilities by each category during the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022		2021	
	Interest income	Interest expenses	Interest income	Interest expenses
Financial assets measured at amortized cost	₩ 16,008	₩ -	₩ 9,402	₩ -
Financial assets measured at FVTPL	10,136	-	6,282	-
Financial liabilities measured at amortized cost	-	26,168	-	21,894
Total	₩ 26,144	₩ 26,168	₩ 15,684	₩ 21,894

The foreign exchange gain or loss on the above financial instruments is ₩13,190 million (2021: ₩20,424 million), and the foreign currency translation gain or loss is ₩(-)16,704 million (2021: ₩(-)5,436 million).

(3) The carrying amount and the fair value and fair value hierarchy levels of financial instruments based on their nature and characteristics are as follows.

The Company 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: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy of financial assets measured at fair value is as follows:

(In millions of Korean won)

Description	2022				2021			
	Level 2 (*1)		Level 3 (*2)		Level 2		Level 3	
Financial assets measured at FVTPL	₩	6,855	₩	2,638	₩	223,300	₩	1,427

(*1) Although it is a listed stock, it is classified as Level 2 because the stock is suspended from trading as of the end of 2022.

(*2) The book value of financial assets measured at FVTPL classified as Level 3 has changed due to acquisition of ₩ 1,200 million and gain of valuation of ₩ 11 million.

(4) Details of financial assets and liabilities offset as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022					
	Total amount of recognition		Total amount of offset		Net amount presented in the separate financial statements	
Trade notes and accounts receivable and other receivables	₩	1,960,460	₩	218,313	₩	1,742,147
Trade notes and accounts payable and other payables		1,646,397		218,313		1,428,084

(In millions of Korean won)

Description	2021					
	Total amount of recognition		Total amount of offset		Net amount presented in financial statements	
Trade notes and accounts receivable and other receivables	₩	1,776,701	₩	253,068	₩	1,523,633
Trade notes and accounts payable and other payables		1,509,453		253,068		1,256,385

20. CAPITAL STOCK, CAPITAL SURPLUS AND OTHER CAPITAL ITEMS:

(1) Capital stock as of December 31, 2022 and 2021, consists of the following:

Description	2022	2021
Number of shares authorized	200,000,000 shares	200,000,000 shares
Par value	₩ 5,000	₩ 5,000
Issued	81,897,803 shares	81,897,803 shares
Capital stock	₩ 409,489 million	₩ 409,489 million

(2) Capital surplus and other capital items as of December 31, 2022 and 2021, consist of the following:

(In millions of Korean won)

Description	2022		2021	
Paid-in capital in excess of par value	₩	1,154,371	₩	1,154,371
Treasury stock		(4,281)		(4,281)
Total	₩	1,150,090	₩	1,150,090

21. RETAINED EARNINGS:

(1) Retained earnings as of December 31, 2022 and 2021, consist of the following:

(In millions of Korean won)

Description	2022	2021
Unappropriated retained earnings	₩ 1,006,077	₩ 921,649

(2) The statements of appropriation of retained earnings as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	2022		2021	
Unappropriated retained earnings:		₩ 1,006,077		₩ 921,649
Unappropriated retained earnings carried over from prior year	₩ 921,649		₩ 861,533	
Profit for the year	37,590		42,673	
Remeasurements of net defined benefit liabilities	46,838		17,443	
Appropriation of retained earnings		-		-
Unappropriated retained earnings to be carried forward		₩ 1,006,077		₩ 921,649

22. EARNINGS PER SHARE:

Basic earnings per share for the years ended December 31, 2022 and 2021, are computed as follows:

(1) Earnings per share

Description	2022	2021
Profit for the year	₩ 37,590 million	₩ 42,673 million
The weighted-average number of shares outstanding	81,737,796 shares	81,737,796 shares
Basic earnings per common share	₩ 460	₩ 522

(2) As there are no diluted securities outstanding as of December 31, 2022 and 2021, diluted earnings per share are identical to the basic earnings per share.

23. SALES:

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

(In millions of Korean won)

Description	2022	2021
Sales of goods	₩ 7,360,412	₩ 6,285,828
Rendering of services	199,757	192,317
Total	₩ 7,560,169	₩ 6,478,145

(2) For the years ended December 31, 2022 and 2021, sales of ₩7,229,690 million (95.6% of total sales) and ₩6,172,822 million (95.3% of total sales) , respectively, were to Hyundai Motor Company and other related affiliates. The accompanying separate financial statements are prepared based on the assumption that the business relationship will continue for a while.

(3) As of December 31, 2022, the amount to be recognized as future sales from the transaction price allocated to the performance obligation is as follows:

(In millions of Korean won)

Description	Within one year		More than one year	
Other liabilities	₩	171,221	₩	80,946

24. EXPENSE BY NATURE:

Expense by nature for the years ended December 31, 2022 and 2021, is as follows:

(In millions of Korean won)

Description	2022		2021	
Changes in raw materials	₩	6,390,375	₩	5,418,274
Employee benefits		319,150		302,848
Depreciation		150,335		164,208
Amortization		17,054		13,399
Transportation and logistics costs		127,917		67,140
Commission expenses		107,640		88,043
Amount paid to subcontractors		144,503		127,561
Ordinary research and development expense		73,864		65,864
Others		218,118		192,119
Total (*)	₩	7,548,956	₩	6,439,456

(*) Total costs consist of cost of sales, selling expense and administrative expense.

25. SELLING AND ADMINISTRATIVE EXPENSES:

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

(In millions of Korean won)

Description	2022		2021	
Salaries	₩	52,695	₩	43,232
Retirement benefits		4,828		8,112
Employee benefits		15,868		11,968
Logistics cost		123,036		62,694
Ordinary research and development expenses		72,372		64,829
Commission expenses		8,376		7,616
Rental expenses		1,704		1,132
Depreciation		3,869		3,815
Amortization		7,601		7,516
Sales guarantee cost		17,569		10,876
Advertising expense		2,045		817
Bad debt expenses		(13,047)		2,086
Others		19,159		14,918
Total	₩	316,075	₩	239,611

26. OTHER INCOME:

Other income for the years ended December 31, 2022 and 2021, consists of the following:

(In millions of Korean won)

Description	2022		2021	
Gain on foreign currency exchanges	₩	53,693	₩	36,156
Gain on foreign currency translation		6,532		4,293
Gain on disposal of PP&E		642		1,812
Profit from the disposal of subsidiary/associate investment shares		-		7,231
Reversal of other allowance for doubtful accounts		-		1,479
Miscellaneous revenues		23,579		17,840
Total	₩	84,446	₩	68,811

27. OTHER EXPENSES:

Other expenses for the years ended December 31, 2022 and 2021, consist of the following:

(In millions of Korean won)

Description	2022		2021	
Loss on foreign currency exchange	₩	40,503	₩	15,732
Loss on foreign currency translation		23,236		9,729
Loss on disposal of PP&E		1,396		954
Loss on disposal of intangible assets		11		-
Impairment loss on PP&E		-		5,194
Impairment loss on intangible assets		-		5,516
Impairment losses on subsidiary/associate investment shares		43,318		32,488
Donation		632		399
Other bad debt expenses		1,034		-
Miscellaneous expenses		8,664		8,143
Total	₩	118,794	₩	78,155

28. FINANCE INCOME:

Finance income for the years ended December 31, 2022 and 2021, consists of the following:

(In millions of Korean won)

Description	2022		2021	
Interest income	₩	26,144	₩	15,684
Dividends income		31,433		7,702
Gain on valuation of FVTPL		11		-
Total	₩	57,588	₩	23,386

29. FINANCE COSTS:

Finance costs for the years ended December 31, 2022 and 2021, consist of the following:

(In millions of Korean won)

Description	2022		2021	
Interest expenses	₩	26,168	₩	21,894

30. SUPPLEMENTAL CASH FLOW INFORMATION:

(1) Cash generated from operations

(In millions of Korean won)

Description	2022		2021	
Profit for the year	₩	37,590	₩	42,673
Adjustments:		291,298		259,304
Retirement benefit costs		28,611		30,559
Long-term employee benefits		(2,637)		4,562
Depreciation		150,335		164,208
Warranty expenses		17,569		10,876
Transfer of other provisions		87,296		6,995
Amortization of intangible assets		17,054		13,399
Depreciation of right-of-use assets		398		881
Bad debt expenses		(13,047)		2,086
Loss on foreign currency translation		23,236		9,729
Loss on disposal of PP&E		1,396		954
Loss on disposal of intangible assets		11		-
Impairment loss on PP&E		-		5,194
Impairment loss on intangible assets		-		5,516
Other bad debt expenses		1,034		(1,479)
Impairment loss on investments in associates		43,318		32,488
Interest expenses		26,168		21,894
Income tax expense		(29,305)		(11,836)
Gain on foreign currency translation		(6,532)		(4,293)
Gain on disposal of PP&E		(642)		(1,812)
Gain on disposal of investments in associates		-		(7,231)
Dividend income		(31,433)		(7,702)
Gain on valuation of FVTPL		(11)		-
Interest income		(26,144)		(15,684)
Reversal of other provisions		4,623		-
Changes in operating assets and liabilities:		(94,542)		(14,144)
Decrease (increase) in trade receivables		(216,643)		29,150
Decrease (increase) in other receivables		(9,941)		23,172
Decrease (increase) in other assets		(56,690)		(105,839)
Decrease (increase) in inventories		29,573		(56,488)
Increase (decrease) in trade payables		190,956		137,604
Increase (decrease) in other payables		(20,471)		(25,258)
Increase (decrease) in other liabilities		50,788		81,926
Increase (decrease) in provisions		(45,798)		(40,533)
Increase (decrease) in net defined benefit liabilities		(16,316)		(57,878)
Cash generated from operations	₩	234,346	₩	287,833

(2) Non-cash transactions

(In millions of Korean won)

Description	2022		2021	
Reclassification of the current portion of bond payables	₩	340,000	₩	130,000
Changes in other payables related to acquisition of PP&E		5,271		(18,819)
Transfer of construction in progress		128,119		150,516
Substitution of long-term trade receivables to Financial instruments at FVTPL (conversion of investment)		6,855		-

(3) Changes in liabilities arising from financing activities

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

(In millions of Korean won)

	2022							
Description	Borrowings		Bond payables		Lease liabilities		Total	
Beginning Balance	₩	3,111	₩	967,924	₩	746	₩	971,781
Cash flows		62,183		69,221		(416)		130,988
Other (foreign currency translation and amortization)		(2,604)		1,154		6		(1,444)
Ending Balance	₩	62,690	₩	1,038,299	₩	336	₩	1,101,325

(In millions of Korean won)

	2021							
Description	Borrowings		Bond payables		Lease liabilities		Total	
Beginning Balance	₩	77,185	₩	937,677	₩	1,645	₩	1,016,507
Cash flows		(74,086)		29,242		(915)		(45,759)
Other (foreign currency translation and amortization)		12		1,005		16		1,033
Ending Balance	₩	3,111	₩	967,924	₩	746	₩	971,781

31. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2022, payment guarantees provided by the Company are as follows:

(In thousands of USD, EUR, BRL and RMB)

Beneficiaries	Guarantors	Foreign currency	Provision	Disbursement
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	Woori Bank	BRL	12,000	4,000
	Hana Bank	BRL	10,000	7,000
HYUNDAI TRANSYS GEORGIA SEATING SYSTEM, LLC	Bank of America	USD	15,000	15,000
	Shinhan Bank	USD	15,000	-
	Hana Bank	USD	18,000	-
	Korea Development Bank	USD	25,000	-
	Kookmin Bank	USD	30,000	30,000

Hyundai Transys Georgia Powertrain, Inc.	Industrial Bank of Korea (New York)	USD	50,000	50,000
	Korea Development Bank	USD	49,000	49,000
	Korea Development Bank	USD	30,000	30,000
	JPMorgan	USD	70,000	70,000
	Korea Exim Bank	USD	48,000	40,000
	Hana Bank	USD	30,000	30,000
	Shinhan Bank	USD	30,000	30,000
	PNC	USD	30,000	30,000
	Woori Bank	USD	30,000	30,000
	JPMorgan	USD	20,000	20,000
Hyundai Transys Mexico Seating System, S. de R.L. de C.V.	Mizuho	USD	38,000	38,000
	Banamex	USD	20,000	-
	Korea Exim Bank	USD	10,000	10,000
	Woori Bank	USD	24,000	20,000
Hyundai Transys Mexico Powetrain, S. de R.L. de C.V.	SMBC (LA)	USD	14,400	14,400
	Hana Bank	USD	35,000	35,000
	MIZUHO (Mexico)	USD	35,000	35,000
	NH Bank	USD	67,500	67,500
	Korea Development Bank	USD	20,000	20,000
	Woori Bank	USD	24,000	20,000
Sichuan Hyundai Transys Automotive System Co., Ltd.	Hyundai Transys Czech, s.r.o	EUR	8,200	8,000
	Shinhan Bank	RMB	36,000	18,034
	Woori Bank	RMB	24,000	9,618
Beijing Hyundai Transys Transmission Co., Ltd.	DBS	USD	10,000	-
	SC Bank	USD	45,000	-
	Korea Development Bank	RMB	150,000	150,000
	Shinhan Bank	RMB	120,000	100,000
	Citi Bank	USD	20,000	-
Hyundai Transys (Shandong) Co., Ltd.	Korea Development Bank (Head office)	USD	40,000	40,000
	Kookmin Bank (Hong Kong)	USD	25,000	25,000
	Korea Development Bank (Guangzhou)	RMB	102,000	102,000
	Korea Development Bank (Guangzhou)	USD	20,400	13,894
	Hana Bank (Qingyang)	RMB	170,000	-
	BTMU (Qingdao)	USD	60,000	-
	SC Bank	USD	17,000	17,000
	DBS Bank	USD	10,000	-
	Industrial Bank of Korea(Qingdao)	RMB	62,400	22,183
HYUNDAI TRANSYS INDIA PRIVATE LIMITED	SC Bank	USD	50,000	11,500
		EUR	45,000	45,000
	Hana Bank	USD	15,000	15,000
	Citi Bank	USD	20,000	20,000
BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	Shinhan Bank	EUR	4,800	4,000
Total		USD	1,110,300	826,294
		EUR	58,000	57,000
		RMB	664,400	401,835
		BRL	22,000	11,000

As of December 31, 2022, payment guarantees provided by others are as follows:

(In millions of Korean won)

Guarantee details	Provider	Guaranteed amount		Creditor
Contract performance guarantee, etc.	Machinery Financial Cooperative	₩	4,422	Hyundai-Rotem Co. and others
	Seoul Guarantee Insurance Co., Ltd.		17,538	

(2) As of December 31, 2022, financial commitments are as follows:

(In millions of Korean won, In thousands of USD)

Description	Lender	Limited amount	
Overdrafts	NH Bank and others	₩	93,000
General borrowings	Hana Bank and others		57,000
Borrowings collateralized by trade receivables (*)	Shinhan Bank and others		301,800
Discount on accounts receivable	Shinhan Bank and others		257,000
Limited amount of import L/C	Kookmin Bank and others		USD 688,972

(*) It is a contract made such that the other transaction party may discount from financial institutions the notes payable issued by the Company.

(3) The major insurance subscription details at the end of 2022 are as follows:

Description	Financial institution	Coverage amount	
Environmental Liability Insurance	DB Insurance Co., Ltd.	₩	60,000
Gas Accident Liability Insurance	Hyundai Marine & Fire Insurance Co., Ltd.		17,100
Package Insurance Policy			168,962
Hyundai Group Accident Insurance (for position only)			1,540,999
Package Insurance Policy			168,962
Overseas Insurance and others			277,402

(4) When other shareholders of Beijing LEAR Hyundai Transys Automotive Systems Co., Ltd.; BAIC DYMOS Automotive System Co., Ltd.; BAIC DYMOS (Chongqing) Automotive System Co., Ltd.; JV and HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED sell their shares, the Company has the right to purchase prior to the third party, and other shareholders of HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED can exercise the right to sell their shares in the Company according to the shareholders' agreement.

(5) As of December 31, 2022, the Company loses part of the second trial in the first lawsuit for claiming additional wages related to normal wages to workers and retirees at the Seongyeon Plant (February 5, 2020) and is pending for the third trial, lost part of the first trial in the second lawsuit (March 25, 2021) and is currently pending in the second trial. In addition, a lawsuit for claiming additional wages related to ordinary wages of workers and retirees at the Jigok Plant lost in the first lawsuit (September 29, 2022) and is currently pending in the second trial. The reasonably estimated amount related to the litigation is reflected in the separate financial statements.

32. RISK MANAGEMENT:

The Company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and capital risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potentially negative effects on the Company's financial performance.

(1) Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US dollar, the Euro and the Japanese yen. Foreign exchange risk arises from recognized assets and liabilities.

The table below summarizes the impact of weakened/strengthened Korean won on the Company's profit for income tax. The analysis is based on the assumption that Korean won has weakened/strengthened by 10% with all other variables held constant.

(In millions of Korean won)

	2022		2021	
Currency	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
USD	₩ 15,017	₩ (15,017)	₩ (81)	₩ 81
EUR	259	(259)	(73)	73
JPY	(856)	856	(480)	480
CNY	(4,382)	4,382	11,021	(11,021)
CHF	-	-	(1)	1
Total	₩ 10,038	₩ (10,038)	₩ 10,386	₩ (10,386)

Above sensitivity analysis is performed considering monetary asset and liability in foreign currencies as of December 31, 2022.

(2) Interest Rate Risk

The Company has borrowings in terms of fixed interest rate and variable interest rate, and is exposed to interest rate risk due to fluctuation of interest rate in financial instruments with variable interest rate. The Company regularly assesses hedging activity to adjust interest rate and defined tendency on risk, and tries to apply optimal hedge strategy.

The table below describes an impact of interest rate fluctuation of 1% point on income before income taxes expenses as of December 31, 2022.

(In millions of Korean won)

Description	1% increase	1% decrease
Cash and cash equivalents	₩ 2,381	₩ (2,381)
Borrowings	₩ (627)	₩ 627

(3) Credit Risk

Credit risk is arising from general transactions and investment activities, and is occurring when customers, clients or market counterparties fail to fulfill their contractual liability to the Company. The Company manages credit risk by assessing the credit quality of customers and other counterparties and periodically reviews and sets credit limit based on the financial conditions, past activities and other factors.

The maximum exposure to credit risk as of December 31, 2022 and 2021, is as follows:

(In millions of Korean won)

Description	2022		2021	
Cash and cash equivalents	₩	238,100	₩	92,681
Short-term financial instruments		415,000		483,300
Trade receivables		1,617,243		1,410,725
Other receivables		124,904		112,908
Other financial assets		31,149		26,582
Financial guarantee contracts		1,199,727		1,131,944

(4) Liquidity Risk

Liquidity risk is defined as the risk that the Company is unable to meet its short-term payment liabilities on time due to deterioration of its business performance or inability to access financing.

The Company's objective of liquidity risk management is maintaining sufficient cash and the availability of funding through adequate amount of committed credit facilities and ability to close out market positions. The Company currently maintains flexible liquidity within its credit limit through active sales. The Company's management determines that they are able to repay the financial liabilities by cash inflows generated from operating activities and financial assets.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(In millions of Korean won)

	2022							
Description	Less than one year		One year–five years		More than five years		Total	
Trade payables and other payables	₩	1,427,179	₩	905	₩	-	₩	1,428,084
Borrowings and bond payables		420,192		719,313		-		1,139,505
Financial guarantee liabilities		1,199,727		-		-		1,199,727
Total	₩	3,047,098	₩	720,218	₩	-	₩	3,767,316

	2021							
Description	Less than one year		One year–five years		More than five years		Total	
Trade payables and other payables	₩	1,255,982	₩	403	₩	-	₩	1,256,385
Borrowings and bond payables		149,636		861,611		-		1,011,247
Financial guarantee liabilities		1,131,944		-		-		1,131,944
Total	₩	2,537,562	₩	862,014	₩	-	₩	3,399,576

(5) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so the Company can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.
The Company monitors financial ratios, such as debt-to-equity ratio and net borrowing ratio each month and implements required action plan to improve the capital structure.

As of December 31, 2022 and 2021, details of debt-to-equity ratio and net borrowing ratio are summarized as follows:

(In millions of Korean won)

Description	**2022**		**2021**	
Liabilities (A)	₩	3,202,922	₩	2,773,411
Equity (B)		2,565,656		2,481,228
Debt-to-equity ratio (A/B)		124.8%		111.78%

33. RELATED-PARTY TRANSACTIONS:

(1) Details of the related parties as of December 31, 2022 and 2021, are as follows:

Description	2022	2021
Associates (Investment company)	Hyundai Motor Company	Hyundai Motor Company
	Kia Corporation	Kia Corporation
Subsidiaries	HYUNDAI MSEAT	HYUNDAI MSEAT
	Hyundai Transys Czech, s.r.o.	Hyundai Transys Czech, s.r.o.
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED
	Hyundai Transys Powertrain System (Rizhao) Co., Ltd.	Hyundai Transys Powertrain System (Rizhao) Co., Ltd.
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.
	Automotive Seat System Dymos Mexico S. De R.L. DE C.V.	Automotive Seat System Dymos Mexico S. De R.L. DE C.V.
	Sichuan Hyundai Transys Automotive System Co., Ltd.	Sichuan Hyundai Transys Automotive System Co., Ltd.
	Hyundai Transys America, Inc.	Hyundai Transys America, Inc.
	HYUNDAI TRANSYS GEORGIA SEATING SYSTEM, LLC(*1)	HYUNDAI TRANSYS GEORGIA SEATING SYSTEM, LLC(*1)
	HYUNDAI TRANSYS MICHIGAN, LLC(*1)	HYUNDAI TRANSYS MICHIGAN, LLC(*1)
	Hyundai Transys Slovakia s.r.o.	Hyundai Transys Slovakia s.r.o.
	Hyundai Transys Mexico Seating System, S. de R.L. de C.V.	Hyundai Transys Mexico Seating System, S. de R.L. de C.V.
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	HYUNDAI TRANSYS INDIA PRIVATE LIMITED
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.
	Hyundai Transys Georgia Powertrain, Inc.	Hyundai Transys Georgia Powertrain, Inc.
	Hyundai Transys America Sales, LLC(*2)	Hyundai Transys America Sales, LLC(*2)
	HYUNDAI TRANSYS RUS LLC	HYUNDAI TRANSYS RUS LLC
Associates (Investee company)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.
	Beijing Hyundai Transys Transmission Co., Ltd.	Beijing Hyundai Transys Transmission Co., Ltd.
	BAIC DYMOS Automotive System Co., Ltd.	BAIC DYMOS Automotive System Co., Ltd.
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.
	Hyundai Transys (Shandong) Co., Ltd.	Hyundai Transys (Shandong) Co., Ltd.
	PT APM HYUNDAI TRANSYS INDONESIA	PT APM HYUNDAI TRANSYS INDONESIA

(*1) Companies are subsidiaries of Hyundai Transys America, Inc.
(*2) The company is a subsidiary of Hyundai Transys Georgia Powertrain, INC.

(2) Significant transactions for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Description	Name of company	2022 Sales	2022 Others	2022 Purchases	2022 Others
Associates (Investment company)	Hyundai Motor Company	₩ 1,961,447	₩ 41,604	₩ 58,304	₩ 847
	Kia Corporation	1,146,422	4,707	59,523	2
Subsidiaries	HYUNDAI MSEAT	-	176	491,208	999
	Hyundai Transys Czech, s.r.o.	20,309	12,667	263	42
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	9,648	8,314	434	4
	Hyundai Transys Powertrain System (Rizhao) Co., Ltd.	277	-	2	14
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	5,936	24	51	2
	Sichuan Hyundai Transys Automotive System Co., Ltd.	3,544	223	5	76
	Hyundai Transys America, Inc.(*1)	46,536	279	203	28
	Hyundai Transys Slovakia s.r.o.	13,575	5,959	-	303
	Hyundai Transys Mexico Seating System, S. de R.L. de C.V.	58,058	369	51	209
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	41,301	398	481	3,409
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	186,935	1,872	-	66
	Hyundai Transys Georgia Powertrain, Inc.(*2)	818,748	2,769	1,591	4,671
Associates (Investee company)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	672	457	13	581
	Beijing Hyundai Transys Transmission Co., Ltd.	92,493	100	115,209	2,012
	BAIC DYMOS Automotive System Co., Ltd.	869	40	9	88
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	-	-	8	-
	Hyundai Transys (Shandong) Co., Ltd.	260,786	5,765	79,565	307
	PT APM HYUNDAI TRANSYS INDONESIA	7,968	1	-	12
Other related parties (*3)		2,554,166	1,944	482,180	152,532
Total		₩ 7,229,690	₩ 87,668	₩ 1,289,100	₩ 166,204

(*1) Consolidated basis for Hyundai Transys America, Inc.
(*2) Consolidated basis for Hyundai Transys Georgia Powertrain, Inc.
(*3) Companies among the corporate company of Hyundai Motor Co., Ltd. according to the Korean Monopoly Regulation and Fair Trade Act.

(In millions of Korean won)

Description	Name of company	2021 Sales		2021 Others		2021 Purchases		2021 Others	
Associates (Investment company)	Hyundai Motor Company	₩	1,784,355	₩	24,329	₩	54,761	₩	725
	Kia Corporation		1,091,924		24,547		54,971		211
Subsidiaries	HYUNDAI MSEAT		749		4,423		384,755		1,542
	Hyundai Transys Czech s.r.o		19,006		-		15		27
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED		6,577		7,678		144		1
	Hyundai Transys Powertrain System(Rizhao) Co., Ltd.		8,469		29		10,866		140
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.		5,559		131		212		-
	Sichuan Hyundai Transys Automotive System Co., Ltd.		1,543		129		18		144
	Hyundai Transys America, Inc. (*1)		37,439		135		444		19
	Hyundai Transys Slovakia s.r.o.		9,306		51		30		1
	Hyundai Transys Mexico Seating System, S. de R.L. de C.V.		29,211		518		242		228
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED		22,837		1,125		122		2,110
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.		146,797		2,453		-		170
	HYUNDAI Transys Georgia Powertrain, INC. (*2,3)		597,114		16,938		1,616		2,289
Associates (Investee company)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.		2,470		-		-		21
	Beijing Transys Transmission Co., Ltd.		100,803		825		95,507		3,750
	BAIC DYMOS Automotive System Co., Ltd.		6,476		-		158		44
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.		2,895		1		40		208
	Hyundai Transys (Shandong) Co., Ltd.		244,230		3,736		130,029		460
	PT APM HYUNDAI TRANSYS INDONESIA		1,087		-		-		-
Other related parties (*4)			2,053,975		3,395		355,012		72,003
Total		₩	6,172,822	₩	90,443	₩	1,088,942	₩	84,093

(*1) Consolidated basis for Hyundai Transys America, Inc.
(*2) Consolidated basis for Hyundai Transys Georgia Powertrain, Inc.
(*3) The transaction amount incurred in 2022 when the company was an associate (investee company) before incorporation into the consolidation is included.
(*4) Companies among the corporate company of Hyundai Motor Co., Ltd. according to the Korean Monopoly Regulation and Fair Trade Act.

(3) Outstanding balances arising from sales/purchases of goods and services as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

		2022			
Description	**Name of company**	**Trade notes and accounts receivable**	**Other receivables and others**	**Trade notes and accounts payable**	**Other payables and others**
Associates (Investment company)	Hyundai Motor Company	₩ 425,778	₩ 97,409	₩ 17,351	₩ 14,316
	Kia Corporation	253,800	542	17,103	62
Subsidiaries	HYUNDAI MSEAT	-	-	126,482	-
	Hyundai Transys Czech, s.r.o.	8,387	50	117	1,096
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	3,856	-	35	63
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	59	10	-	1
	Sichuan Hyundai Transys Automotive System Co., Ltd.(*1)	37,628	1,531	-	8
	Hyundai Transys America, Inc.(*2)	25,879	106	-	121
	Hyundai Transys Slovakia s.r.o.	861	14	295	-
	Hyundai Transys Mexico Seating System, S. de R.L. de C.V.	22,199	126	14	-
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	9,155	193	16	848
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	27,642	907	-	4
	Hyundai Transys Georgia Powertrain, Inc.(*3)	127,160	1,610	-	1,770
Associates (Investee company)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	-	1	4	-
	Beijing Hyundai Transys Transmission Co., Ltd.	16,429	28	48,896	171
	BAIC DYMOS Automotive System Co., Ltd.	7,121	58	11	-
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.(*1)	3,197	385	-	22
	Hyundai Transys (Shandong) Co., Ltd.	100,250	475	62,397	45
	PT APM HYUNDAI TRANSYS INDONESIA	1,231	9	-	10
Other related parties (*4)		422,247	1,897	154,826	34,973
Executives and staff members		-	17,017	-	-
Total		₩ 1,492,879	₩ 122,368	₩ 427,547	₩ 53,510

(*1) The entire net bond value for Sichuan Hyundai Transys Automotive System Co., Ltd. is recognized as a loss allowance, and there is no loss allowance for other related parties.
(*2) Consolidated basis for Hyundai Transys America, Inc.
(*3) Consolidated basis for Hyundai Transys Georgia Powertrain, Inc.
(*4) Companies among the corporate company of Hyundai Motor Co., Ltd. according to the Korean Monopoly Regulation and Fair Trade Act.

(In millions of Korean won)

		2021			
Description	**Name of company**	**Trade notes and accounts receivable**	**Other receivables and others**	**Trade notes and accounts payable**	**Other payables and others**
Associates (Investment company)	Hyundai Motor Company	₩ 368,797	₩ 60,046	₩ 12,512	₩ 12,060
	Kia Corporation	207,552	-	13,058	1,995
Subsidiaries	HYUNDAI MSEAT	-	-	85,583	96
	Hyundai Transys Czech s.r.o	6,820	-	3	1,710
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	2,573	-	15	-
	Hyundai Transys Powertrain System(Rizhao) Co., Ltd.	36	13	1	293
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	1,309	61	19	-
	Sichuan Hyundai Transys Automotive System Co., Ltd. (*1)	55,451	1,486	-	16
	Hyundai Transys America, INC. (*2)	10,880	91	-	103
	Hyundai Transys Slovakia s.r.o.	3,235	24	-	-
	Hyundai Transys Mexico Seating System S DE RL DE CV	11,140	258	25	-
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	4,838	573	405	263
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	23,047	1,247	-	8
	HYUNDAI Transys Georgia Powertrain, INC. (*3)	82,494	455	-	336
Associates (Investee company)	Beijing Hyundai Transys Transmission Co., Ltd.	41,763	405	19,077	266
Associates (Investee company)	BAIC DYMOS Automotive System Co., Ltd.	6,591	192	1	174
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	3,282	395	-	36
	Hyundai Transys (Shandong) Co., Ltd.	129,298	675	67,711	10
	PT APM HYUNDAI TRANSYS INDONESIA	797	-	6	-
Other related parties (*4)		342,240	3,062	122,731	39,993
Executives and staff members		-	15,816	-	-
Total		₩ 1,302,143	₩ 84,799	₩ 321,147	₩ 57,359

(*1) The entire net bond is recognized as a loss allowance, and there is no loss allowance for other related parties.
(*2) Consolidated basis for Hyundai Transys America, Inc.
(*3) Consolidated basis for Hyundai Transys Georgia Powertrain, Inc.
(*4) Companies among the corporate company of Hyundai Motor Co., Ltd. according to the Korean Monopoly Regulation and Fair Trade Act.

(4) The details of financial transactions with related parties are as follows:

(In millions of Korean won)

Description	Cash contribution			
	2022		2021	
Subsidiaries:				
HYUNDAI MSEAT	₩	14,000	₩	16,500
Hyundai Transys Georgia Powertrain, Inc		-		152,254
Sichuan Hyundai Transys Automotive System Co., Ltd.		27,802		10,688
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.		-		11,796
HYUNDAI TRANSYS RUS LLC		-		2,027
Hyundai Transys America, Inc.		117,459		-
Subtotal		159,261		193,265
Associates (Investee company)				
PT APM HYUNDAI TRANSYS INDONESIA		-		4,440
Hyundai Transys (Shandong) Co., Ltd.		4,369		-
Subtotal		4,369		4,440
Total	₩	163,630	₩	197,705

(5) Dividend income from subsidiaries and associates in 2022 and 2021 is ₩31,402 million (2021: ₩7,678 million).

(6) For the year ended December 31, 2022, the payroll costs for the senior management, including board members as well as non-executive board members, all of whom have significant responsibility and authority over corporative activities, such as business planning, operation and management, are ₩4,209 million (2021: ₩2,123 million). For the year ended December 31, 2022, the retirement benefits for the senior management are ₩1,141 million.

(7) The Company provides payment guarantees for borrowings of associates as of December 31, 2021 (see Note 31).

(8) Purchasing card transactions with Hyundai Card Co., Ltd., a related party, for the year ended December 31, 2022, are as follows:

(In millions of Korean won)

Description	Limited amount	Beginning		Usage		Repayment		Ending	
Hyundai Card Co., Ltd.	₩ 5,000 per month	₩	3,343	₩	41,813	₩	(40,707)	₩	4,449

34. SUBSEQUENT EVENTS:

(1) On February 27, 2023, the Company decided to establish a subsidiary (Tranix Co., Ltd.) and invest in it through the board of directors' meeting, and on March 2, 2023, it paid ₩3,000 million of investment. The Company acquired 100% of the shares in the investee company through the establishment investment.

(2) On March 14, 2023, the Company issued the 44-1st (₩60,000 million) and 44-2nd (₩100,000 million) corporate bonds.

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Internal Accounting Control System ("IACS") Review Report

English Translation of a Report Originally Issued in Korean on March 21, 2023.

To the Chief Executive Officer
HYUNDAI TRANSYS INC.:

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of HYUNDAI TRANSYS INC. (the "Company") as of December 31, 2022. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2022, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2022, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, the objective of which is to obtain a lower level of assurance than an audit, of the Management's Report, in all material respects. A review includes obtaining an understanding of the Company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures. The Company's design and operation of IACS and Management's Report on the assessment of IACS were performed in accordance with Chapter 4 "Application for Small- and Medium-Sized Enterprises" of the IACS framework, which allows for small- and medium-sized publicly held companies and large-sized privately held companies, to less strictly comply with the IACS framework than a large-sized publicly held company. As the Company is a small- and medium-sized privately held company, we have performed the review in accordance with Chapter 14 "Review Standards for Small- and Medium-Sized Enterprises" of the IACS Review Standards, established by the Korean Institute of Certified Public Accountants.

The Company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Based on our review, nothing has come to our attention that causes us to believe that the Management's Report, referred to above, is not fairly stated, in all material respects, in accordance with Chapter 4 "Application for Small- and Medium-Sized Enterprises" of the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2022, and we did not review its IACS subsequent to December 31, 2022. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

Deloitte Anjin LLC

March 21, 2023

Disclosure on Execution of External Audit

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

1. Company and Reporting Period subject to External Audit

Company	HYUNDAI TRANSYS INC.			
Reporting Period	From	January 1, 2022	To	December 31, 2022

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

(Unit: Number of Participants, Hours Executed)

Participant(s) ＼ Number and Hour(s)		Engagement Quality Reviewer(s) (Including QRM, etc.)	Audit Professional(s)			IT Specialist(s), Tax Specialist(s) and Valuation Specialist(s)	Contract Manufacturing Industry Specialist(s)	Total
			Engagement Partner(s)	KICPA (Registered)	KICPA (Non-Registered)			
Number of Participant(s)		3	1	7	10	12	-	33
Hours Executed	Quarterly Review, Six-Month Review	8	48	648	200	-	-	904
	Audit	55	204	2,388	797	656	-	4,100
	Total	63	252	3,036	997	656	-	5,004

3. Key Disclosure on Execution of External Audit

<table>
<tr><td>Title</td><td colspan="8">Detail</td></tr>
<tr><td rowspan="2">Audit Planning Stage</td><td colspan="2">Dates Performed</td><td colspan="3">2022.05.23–2022.05.27</td><td colspan="2">5</td><td>Days</td></tr>
<tr><td colspan="2">Main Planning Work Performed</td><td colspan="6">Identifying significant audit risk factors and establishing mid-term and final audit plans</td></tr>
<tr><td rowspan="4">Field Work Performed</td><td colspan="3" rowspan="2">Dates Performed</td><td colspan="4">Number of Participant(s)</td><td rowspan="2">Main Field Work Performed</td></tr>
<tr><td colspan="2">On-Site</td><td colspan="2">Off-Site</td></tr>
<tr><td>2022.07.18–07.29
2022.11.21–12.02</td><td>20</td><td>Days</td><td>7</td><td>Number of Participant(s)</td><td>2</td><td>Number of Participant(s)</td><td>Understanding internal control and assessing risk of the Company</td></tr>
<tr><td>2023.01.26–02.10</td><td>12</td><td>“</td><td>7</td><td>“</td><td>2</td><td>“</td><td>Audit of financial statements</td></tr>
<tr><td rowspan="3">Physical Counts - Inventory (Observation)</td><td>Time (When Performed)</td><td colspan="4">2022.12.30, 2023.01.03</td><td colspan="2">2</td><td>Day(s)</td></tr>
<tr><td>Place (Where Performed)</td><td colspan="7">Seongyeon factory, Jigok factory, Dongtan R&D center and Hwaseong R&D center</td></tr>
<tr><td>Inventory subjected to Counts</td><td colspan="7">Raw materials, Work-in-process, Merchandise, Finished goods, etc.</td></tr>
<tr><td rowspan="3">Physical Counts - Financial Instruments (Observation)</td><td>Time (When Performed)</td><td colspan="3">2022.12.30, 2023.01.03</td><td colspan="2">2</td><td colspan="2">Day(s)</td></tr>
<tr><td>Place (Where Performed)</td><td colspan="7">Seongyeon factory, Jigok factory, Dongtan R&D center and Hwaseong R&D center</td></tr>
<tr><td>Financial Instruments subjected to Counts</td><td colspan="7">Cash, Notes, Membership, etc.</td></tr>
<tr><td rowspan="2">External Confirmation</td><td>Bank Confirmation</td><td>O</td><td colspan="2">Accounts Receivable/Payable Confirmation</td><td>O</td><td>Legal Confirmation</td><td colspan="2">O</td></tr>
<tr><td>Other Confirmation</td><td colspan="7">Inventory Confirmation</td></tr>
<tr><td rowspan="2">Communications with Those Charged with Governance</td><td>Number of Communications</td><td>2</td><td colspan="6">Time(s) Performed</td></tr>
<tr><td>Time (When Performed)</td><td colspan="7">2022.12.28, 2023.03.21</td></tr>
<tr><td rowspan="2">Use of External Specialist(s)</td><td>Contents of Use</td><td colspan="7">-</td></tr>
<tr><td>Time (When Performed)</td><td colspan="3">-</td><td colspan="2">-</td><td colspan="2">Day(s)</td></tr>
</table>