HYUNDAI TRANSYS INC.

SEPARATE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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 19, 2024

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, 2023 and 2022, 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, 2023 and 2022, 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 19, 2024

<u>Notice to Readers</u>

This report is effective as of March 19, 2024, 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, 2023 AND 2022

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) 041-661-9628

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2023 AND 2022

	Notes	2023	2022
		(In millions of Korean won)	
Assets			
Current assets			
Cash and cash equivalents	4,20,33	₩ 239,072	₩ 238,100
Short-term financial instruments	4,20,33	290,000	415,000
Trade receivables	5,20,33,34	1,565,468	1,617,243
Other receivables	5,20,33,34	101,145	80,070
Inventories	6	409,388	395,970
Other financial assets	5,8,20,33	16,078	19,668
Other current assets	7	122,157	250,580
Current tax assets		3,765	2,480
		2,747,073	3,019,111
Non-current assets			
Other receivables	5,20,33,34	42,965	44,834
Investments in subsidiaries, joint ventures and associates	9,34	1,068,453	814,310
Property, plant and equipment	10	1,274,125	1,391,013
Investment properties	12	119,647	-
Intangible assets	11	314,391	144,870
Right-of-use assets	13	217	336
Net defined benefit assets	16	66,533	120,082
Other financial assets	4,5,8,20,33	18,365	20,974
Other non-current assets	7	38,528	13,701
Deferred tax assets	19	227,307	199,347
		3,170,531	2,749,467
Total assets		₩ 5,917,604	₩ 5,768,578
Liabilities and equity			
Current liabilities			
Trade payables	20,33,34	₩ 1,172,183	₩ 1,187,308
Other payables	14,20,33,34	256,637	239,871
Short-term borrowings	5,15,20,32,33	248,320	62,690
Current portion of long-term debt and debentures	15,20,33	269,913	339,774
Provisions	17,32	63,729	241,440
Financial guarantee liabilities	20,32,33	12,547	13,581
Lease liabilities	13,20	9	126
Other current liabilities	18,24	122,434	185,124
		2,145,682	2,269,914

(Continued)

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2023 AND 2022

	Notes		2023		2022
			(In millions of Korean won)		
Non-current liabilities					
Debentures	15,20,33	₩	788,185	₩	698,525
Provisions	17		272,737		152,422
Lease liabilities	13,20		201		210
Other liabilities	14,20,33,34		1,645		905
Other non-current liabilities	18,24		111,090		80,946
			1,173,858		933,008
Total liabilities		₩	3,319,540	₩	3,202,922
Equity					
Capital stock	1,21	₩	409,489	₩	409,489
Other paid-in capital	21		1,150,090		1,150,090
Retained earnings	22		1,038,485		1,006,077
Total equity			2,598,064		2,565,656
Total liabilities and equity		₩	5,917,604	₩	5,768,578

(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, 2023 AND 2022

	Notes	2023		2022	
		(In millions of Korean won)			
Sales	24,34	₩	8,596,884	₩	7,560,169
Cost of sales	25,34		8,282,905		7,232,881
Gross profit (loss)			313,979		327,288
Selling and administrative expenses	25,26,34		345,786		316,075
Operating profit (loss)			(31,807)		11,213
Other income	27,34		86,738		84,446
Other expenses	28,34		26,118		118,794
Finance income	20,29,34		64,747		57,588
Finance costs	20,30		32,498		26,168
Profit before income tax expense			61,062		8,285
Income tax expense (income)	19		(122)		(29,305)
Profit for the year	22,23		61,184		37,590
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of net defined benefit liabilities (assets)	16,22		(28,776)		46,838
Total comprehensive income for the year		₩	32,408	₩	84,428
Earnings per share attributable to the equity holders *(in Korean won)*:	23				
Basic and diluted earnings per share		₩	749	₩	460

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, 2023 AND 2022

	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

(Continued)

HYUNDAI TRANSYS INC.

SEPARATE STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Capital stock	Capital surplus	Other capital items	Retained earnings	Total
	(In millions of Korean won)				
Balance at January 1, 2023	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 1,006,077	₩ 2,565,656
Comprehensive income:					
Profit for the year	-	-	-	61,184	61,184
Other comprehensive income (loss):					
Remeasurements of net defined benefit liabilities (assets)	-	-	-	(28,776)	(28,776)
Total comprehensive income for the year	-	-	-	32,408	32,408
Balance at December 31, 2023	₩ 409,489	₩ 1,154,371	₩ (4,281)	₩ 1,038,485	₩ 2,598,064

(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, 2023 AND 2022

	Notes	2023	2022
		(In millions of Korean won)	
Cash flows from operating activities			
Cash generated from operations	31	₩ 142,484	₩ 234,346
Interest received		31,662	25,335
Interest paid		(31,081)	(24,405)
Dividends received		26,640	31,433
Income tax paid		(20,478)	(16,728)
Net cash provided by operating activities		149,227	249,981
Cash flows from investing activities			
Net increase (decrease) in short-term financial instruments		125,000	68,300
Proceeds from disposal of property, plant and equipment		1,863	3,786
Proceeds from disposal of intangible assets		1,200	500
Net increase (decrease) in investments in subsidiaries, joint ventures and associates		(213,281)	(165,691)
Acquisitions of property, plant and equipment		(166,823)	(89,383)
Acquisitions of intangible assets		(100,873)	(44,833)
Decrease (increase) in other financial assets, net		411	(6,304)
Net cash used in investing activities		(352,503)	(233,625)
Cash flows from financing activities	31		
Proceeds from short-term borrowings, net		187,108	62,183
Proceeds from borrowings and debentures		358,608	199,221
Repayments of borrowings and debentures		(340,000)	(130,000)
Repayment of lease liabilities		(127)	(416)
Net cash provided by financing activities		205,589	130,988
Net increase in cash and cash equivalents		2,313	147,344
Cash and cash equivalents at the beginning of year		238,100	92,681
Effects of exchange rate changes on cash and cash equivalents		(1,341)	(1,925)
Cash and cash equivalents at the end of year	31	₩ 239,072	₩ 238,100

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, 2023 AND 2022

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 a 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, 2023.

The Company's major shareholders and their respective percentage of ownership as of December 31, 2023 and 2022, are as follows:

(In shares)	2023		2022	
	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 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 for accounting periods beginning on or after January 1, 2023.

- K-IFRS 1117 Insurance Contracts

K-IFRS 1117, which supersedes K-IFRS 1104 Insurance Contracts, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts, and its main features include measurement of the current fulfilment value of insurance liabilities, recognition of insurance revenue under the accrual basis, and separate presentation of insurance profit and loss and investment profit and loss.

The Company does not have any contracts that meet the definition of insurance contracts in K-IFRS 1117.

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

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 amendments clarify that the supporting paragraphs in K-IFRS 1001 are also accounting policy information that relates to immaterial transactions, other events or conditions that is immaterial and need not be disclosed. But 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.

-K-IFRS 1001 Presentation of Financial Statements - Disclosure of financial liabilities with condition to adjust exercise price (Amendments)

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.

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

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

-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. 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. Following the amendments, the initial recognition exemption does not apply to transactions that create equal taxable and deductible temporary differences. An entity is required to recognize deferred tax assets and liabilities, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS 1012.

-K-IFRS 1012 Income Taxes - International Tax Reform: Pillar Two Model Rules

The amendments clarify that K-IFRS 1012 Income Taxes applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Co-operation and Development.

However, by introducing a temporary exception to the deferred tax accounting requirements of K-IFRS 1012 Income Taxes, deferred tax assets and liabilities related to Pillar Two income taxes are not recognized and related information is not disclosed. In addition, following the amendments, the fact that the temporary exception has been applied is disclosed, and the current income tax expense (profit) related to Pillar Two income taxes is separately disclosed.

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

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

-K-IFRS 1001 Presentation of Financial Statements (2020 Amendments) - Classification of Liabilities as Current or Non-Current

The amendments (1) 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; (2) specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; (3) explain that rights are in existence if covenants are complied with at the end of the reporting period; and (4) 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, 2024, with early application permitted. If the amendments are applied early, the 2023 amendments must also be applied early.

-K-IFRS 1001 Presentation of Financial Statements (2023 Amendments) - Non-Current Liabilities with Covenants

The amendments provide that only certain conditions specified in the loan arrangement (hereinafter referred to as ‘covenants’) that must be complied with before the end of the reporting period affect the entity’s right to defer settlement of those liabilities for at least twelve months after the reporting period. Although compliance with the covenants is assessed only after the reporting period, these covenants affect whether the rights exist at the end of the reporting period.

The amendments also provide that covenants with which an entity is required to comply on or after the reporting period do not affect the entity’s right to defer settlement. However, if an entity's right to defer settlement of its liabilities is dependent on covenants to be complied with within 12 months after the reporting period, information should be disclosed to help users of financial statements understand the risk that the liabilities could become repayable within 12 months of the reporting period. This information includes information about the covenants (including the nature of the covenants and when the entity must comply with the covenants), the carrying amount of the related liabilities, and the facts and circumstances that indicate the entity may have difficulty complying with covenants.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. If the amendments are applied early, the 2020 amendments must also be applied early.

-K-IFRS 1007 Statement of Cash Flows and K-IFRS 1107 Financial Instruments: Disclosures (Amendments) – Supplier Finance Arrangements

The amendments add that under the disclosure objectives of K-IFRS 1007 Statement of Cash Flows, users of financial statements can evaluate the impact of supplier finance arrangements on the entity's liabilities and cash flow. In addition, K-IFRS 1107 Financial Instruments: Disclosures was amended to add supplier finance arrangements as an example of requirements to disclose information related to exposure to liquidity risk concentration.

The term ‘supplier finance arrangements’ is not defined. Instead the amendments set out the characteristics of the arrangements for which information must be provided.

To meet the objectives of disclosure, an entity shall disclose in aggregate for its supplier finance arrangements:

- the terms and conditions of the arrangements;
- the carrying amounts, and associated line items presented in the entity's statements of financial position, of the financial liabilities that are part of a supplier finance arrangement;
- the carrying amounts, and associated line items, of the financial liabilities that are part of a supplier finance arrangement for which suppliers have already received payment from the finance providers;
- the range of payment due dates for both the financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement;
- the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement; and
- liquidity risk information.

The amendments are applied for annual periods beginning on or after January 1, 2024, and include specific transition requirements for the first annual period of application. Also, early application is permitted.

-K-IFRS 1116 Leases (Amendments) - Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for sale and leaseback that are accounted for under K-IFRS 1115 Revenue from Contracts with Customers. The amendments require that the 'lease fee' or 'modified lease fee' be calculated in a way that the seller-lessee does not recognize any gain or loss for the right of use that the seller-lessee continues to hold after the lease commencement date.

The amendments are applied for annual periods beginning on or after January 1, 2024, with early application permitted.

-K-IFRS 1001 Presentation of Financial Statements (2023 Amendments) - Virtual Assets Disclosure

In addition to the disclosure requirements required by other standards for transactions related to virtual assets, the amendments provide matters to be disclosed for the following specified cases: 1) when holding virtual assets, 2) when holding virtual assets on behalf of a customer, and 3) when issuing virtual assets.

When holding virtual assets, an entity must disclose (1) general information about virtual assets, (2) applied accounting policies; and (3) acquisition route, acquisition cost, and fair value at the end of the current period for each virtual asset. In addition, when issuing virtual assets, the entity's obligations and obligation performance status related to the issued virtual assets, the timing and amount of revenue recognition for sold virtual assets, the quantity of virtual assets held after issuance and important contract details must be disclosed.

The amendments are applied for annual periods beginning on or after January 1, 2024, with early application permitted.

The Company is reviewing the impact of the enactments and amendments listed above on the 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 previously held interest ("PHI") in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the 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 acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest 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 1036 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, that is, 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 the following:

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

As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components 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. If another systematic basis better represents the pattern of diminished benefits resulting from the use of the underlying asset, the Company will apply that basis. 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("ECLs") on the lease receivables.

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

When a contract includes both lease and non-lease components, the Company applies K-IFRS 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 the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the 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

The useful lives and amortization methods of intangible assets are reviewed at the end of each reporting period, and if changes are deemed appropriate, they are accounted for as changes in accounting estimates. Intangible assets acquired individually with indefinite useful lives are recognized at the acquisition cost, less accumulated impairment losses.

(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 Investment Properties

Properties held to earn rentals or capital appreciation or both are classified as investment properties. Investment properties cannot be held partially for use or partially sold out. The property can only be classified as investment property if the portion held for use is insignificant.

An investment property shall be measured initially at its cost, including transaction costs. After initial recognition, the investment property is measured under the cost model, by presenting at its acquired cost less any accumulated depreciation and any accumulated impairment losses.

Among investment properties, land is not depreciated, and investment properties excluding land are depreciated using the straight-line method over 40 years according to their economic useful life. Meanwhile, the company reviews the residual value and economic useful life of assets at the end of each reporting period, and if changes are deemed appropriate, they are accounted for as changes in accounting estimates.

When an investment property is disposed of or the use of the investment property is permanently discontinued and no further future economic benefits can be expected from the disposal, the carrying amount of the investment property is removed from the separate statements of financial position. Gains or losses resulting from the removal of investment property are (1) determined from the difference between the net sale amount and the carrying amount, and (2) are recognized as profit or loss at the time the investment property is removed.

2.14 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.

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

2.16 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.

2.17 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 pre-tax 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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 K-IFRS 1115 Revenue from Contracts with Customers.

(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 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.

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

The Company classifies the emission rights as intangible assets. Emission rights allowance 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.

2.23 Approval of Separate Financial Statements

The separate financial statements were confirmed by the Board of Directors on January 31, 2024 and will be finally approved by shareholders' meeting on March 28, 2024.

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. 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.

(d) Uncertainty in estimation of recoverable amount

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 America, Inc.	₩	250,915	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 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 America, Inc.	(-)9.0%p	(+)10.5%p

4. RESTRICTED FINANCIAL INSTRUMENTS:

Restricted financial instruments as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	Financial institution	2023	2022	Usage restriction details
Cash and cash equivalents	Woori Bank and Others	₩ 284	₩ 271	Dedicated to national projects
Short-term financial instruments	Industrial Bank of Korea and others	40,000	30,000	Shared Growth Deposit
Other financial assets	Shinhan Bank and Others	21	21	Overdraft deposit and Others
Total		₩ 40,305	₩ 30,292	

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, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023	2022
Total trade notes and accounts receivable	₩ 1,610,154	₩ 1,655,232
Less: Loss allowance	(44,686)	(37,989)
Subtotal	1,565,468	1,617,243
Other receivables:		
Non-trade receivables	144,605	124,420
Accrued revenue	1,603	1,965
Less: Loss allowance	(2,098)	(1,481)
Subtotal	144,110	124,904
Other financial assets	32,242	33,253
Less: Loss allowance	(1,039)	(2,104)
Subtotal	31,203	31,149
Total	₩ 1,740,781	₩ 1,773,296

(2) Movements on the provisions for impairment of trade receivables and other financial assets at amortized cost for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

	2023			2022		
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	₩ 37,989	₩ 1,481	₩ 2,104	₩ 65,636	₩ 983	₩ 1,568
Impairment loss	6,697	617	(1,065)	(13,047)	498	536
Write-off	-	-	-	(14,600)	-	-
Ending balance	₩ 44,686	₩ 2,098	₩ 1,039	₩ 37,989	₩ 1,481	₩ 2,104

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, 2023 and 2022, the aging analysis of trade receivables is as follows:

(In millions of Korean won)

Description	2023	2022
Not due	₩ 1,565,136	₩ 1,616,941
Overdue:		
Within 30 days	462	882
Within 180 days and more than 31 days	1,139	2,267
More than 181 days	43,417	35,142
Total amounts	₩ 1,610,154	₩ 1,655,232
Amount of impaired receivables (*)	₩ 45,018	₩ 38,291

(*) As of December 31, 2023, the provision for loss for impaired receivables is ₩44,686 million (2022: ₩37,989 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 ₩198,230 million (2022: ₩62,690 million). (See Note 15)

- 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, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023 Acquisition cost	2023 Valuation reserve	2023 Total	2022 Acquisition cost	2022 Valuation reserve	2022 Total
Merchandise	₩ 50,343	₩ (280)	₩ 50,063	₩ 57,045	₩ (2,041)	₩ 55,004
Finished goods	170,218	(6,318)	163,900	130,830	(6,428)	124,402
Semifinished goods	62,637	(3,007)	59,630	75,983	(2,687)	73,296
Raw materials	61,259	(5,461)	55,798	61,016	(5,559)	55,457
Supplies	35,950	(11,862)	24,088	35,093	(11,739)	23,354
Materials in transit	55,909	-	55,909	64,457	-	64,457
Total	₩ 436,316	₩ (26,928)	₩ 409,388	₩ 424,424	₩ (28,454)	₩ 395,970

The cost of inventories included in cost of goods sold for the years ended December 31, 2023 and 2022, is ₩7,366,597 million and ₩6,390,375 million, respectively (see Note 25).

7. OTHER ASSETS:

Other assets as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023				2022			
	Current		Non-current		Current		Non-current	
Advanced payments	₩	104,140	₩	38,528	₩	235,836	₩	13,701
Prepaid expenses		17,801		-		14,744		-
Others		216		-		-		-
Total	₩	122,157	₩	38,528	₩	250,580	₩	13,701

8. FINANCIAL ASSETS AT FAIR VALUE:

(1) Financial assets at fair value as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023		2022	
	Financial instruments at FVTPL		Financial instruments at FVTPL	
Investment in capital of partnership (*1)	₩	517	₩	514
Non-Marketable equity securities (*1)		2,724		2,124
Marketable equity securities (*2)		-		6,855
Total	₩	3,241	₩	9,493

(*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.

(2) Changes in financial assets at fair value for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023		2022	
Beginning balance	₩	9,493	₩	224,727
Acquisition		600		-
Disposal (*)		(6,855)		(222,100)
Valuation		3		11
Transfer		-		6,855
Ending balance	₩	3,241	₩	9,493

(*) Net increase or decrease was indicated due to frequent acquisition and disposition for the year ended December 31, 2022.

9. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES:

(1) Investments in subsidiaries, joint ventures and associates as of December 31, 2023 and 2022, are as follows:

Description	Name of company	Controlling percentage of ownership (%)	2023 Acquisition value	2023 Book value	2022 Book value
Subsidiaries	HYUNDAI MSEAT(*1)	99.87	₩ 64,991	₩ 64,991	₩ 64,990
	Hyundai Transys Czech, s.r.o.	100.00	-	-	-
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIAPRIVATE LIMITED	65.00	11,881	11,881	11,881
	Hyundai Transys Powertrain System (Rizhao) Co., Ltd. (*1)	100.00	-	-	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.	100.00	83,309	-	-
	Hyundai Transys America, Inc (*3)	100.00	250,915	250,915	125,741
	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. (*4)	-	-	-	-
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	100.00	78,489	78,489	78,489
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V (*4,5)	99.90	245,716	227,068	94,698
	Hyundai Transys Georgia Powertrain, Inc	71.27	201,251	201,251	201,251
	HYUNDAI TRANSYS RUS LLC	100.00	2,027	2,027	2,027
	TRANIX (*6)	100.00	10,000	10,000	-
	Subtotal		989,306	876,758	622,615
Joint ventures and associates	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd. (*7)	50.00	9,726	2,061	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)	50.00	6,923	-	-
	Hyundai Transys (Shandong) Co., Ltd.	35.00	121,915	92,138	92,138
	PT APM HYUNDAI TRANSYS INDONESIA (*7)	50.00	12,543	12,543	12,543
	Subtotal		279,051	191,695	191,695
	Total		₩ 1,268,357	₩ 1,068,453	₩ 814,310

(*1) It was liquidated during the year ended December 31, 2023.
(*2) The liquidation process is in progress.
(*3) The Company participates paid-in capital increase for the year ended December 31, 2023, and the amount of capital increase is ₩125,174 million.
(*4) As of March 31, 2023, Hyundai Transys Mexico Powertrain, S. de R.L. de C.V. conducted an absorption-type merger with Hyundai Transys Mexico Seating System, S. de R.L. de C.V.

(*5) The Company participates paid-in capital increase for the year ended December 31, 2023, and the amount of capital increase is ₩132,370 million.

(*6) It was newly established during the year ended December 31, 2023, and ₩10,000 million was invested for ownership of 100% of the shares.

(*7) It was classified as a joint venture based on joint control in accordance with inter-shareholder agreement.

(2) Changes in subsidiaries, joint ventures and associates for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023	2022
Beginning balance	₩ 814,310	₩ 699,168
Acquisition	267,545	165,691
Disposal	(13,402)	(7,231)
Impairment	-	(43,318)
Ending balance	₩ 1,068,453	₩ 814,310

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

Changes in PP&E for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

	2023						
Description	Land	Building	Structures	Machinery	Others	Construction in progress	Total
Beginning balance	₩ 268,149	₩ 454,070	₩ 30,069	₩ 550,252	₩ 64,165	₩ 24,308	₩ 1,391,013
Acquisition	-	-	-	-	-	166,538	166,538
Disposal	(77)	(208)	-	(1,571)	(174)	-	(2,030)
Transfer (*)	(19,221)	(92,948)	708	75,322	21,804	(119,399)	(133,734)
Impairment	-	-	-	-	(21)	-	(21)
Depreciation	-	(15,702)	(2,797)	(109,651)	(19,491)	-	(147,641)
Ending balance	₩ 248,851	₩ 345,212	₩ 27,980	₩ 514,352	₩ 66,283	₩ 71,447	₩ 1,274,125
Acquisition cost	248,851	443,810	50,857	1,368,682	191,103	71,447	2,374,750
Accumulated depreciation	-	(98,598)	(22,877)	(849,139)	(124,796)	-	(1,095,410)
Accumulated impairment	-	-		(5,191)	(24)	-	(5,215)

(*) ₩19,557 million transferred from land to investment properties, ₩100,090 million transferred from building to investment to investment properties, and ₩14,087 million transferred from construction in progress to intangible assets are included.

(In millions of Korean won)

Description				2022			
	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)

(*) ₩16,921 million transferred to intangible assets is included.

11. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description			2023		
	Software	Development cost	Customer relationship	Other intangible assets	Total
Beginning balance	₩ 33,007	₩ 86,012	₩ 960	₩ 24,891	₩ 144,870
Acquisition	-	100,873	-	-	100,873
Transfer (*)	14,052	83,783	-	35	97,870
Disposal	-	-	-	(1,193)	(1,193)
Impairment	-	(1,168)	-	-	(1,168)
Amortization	(12,228)	(13,673)	(960)	-	(26,861)
Ending balance	₩ 34,831	₩ 255,827	₩ -	₩ 23,733	₩ 314,391
Acquisition cost	92,580	279,792	15,200	23,733	411,305
Accumulated depreciation	(57,749)	(23,965)	(15,200)	-	(96,914)

(*) ₩14,087 million transferred to software and other intangible assets from PP&E, ₩83,783 million transferred to development cost from advanced payments and others are included.

(In millions of Korean won)

Description			2022		
	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)
EndingbBalance	₩ 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)

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

(2) The details of the research and development activities as of December 31, 2023 and 2022, are as follows:

Description		2023		2022
Development costs (intangible assets)	₩	100,873	₩	44,833
Ordinary research and development expenditures (*1)		93,630		73,864
Total (*2)	₩	194,503	₩	118,697

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

12. INVESTMENT PROPERTIES:

(1) The book values of investment properties for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

	2023				2022			
Description		Land		Building		Land		Building
Acquisition cost	₩	19,557	₩	119,815	₩	-	₩	-
Accumulated depreciation		-		(19,725)		-		-
Net book value	₩	19,557	₩	100,090	₩	-	₩	-

(2) Changes in investment properties for the current term are as follows:

(In millions of Korean won)

	2023		
Description	Beginning book value	Transfer (*)	Ending book value
Land	-	19,557	19,557
Building	-	100,090	100,090
Total	-	119,647	119,647

(*) Land and buildings held for rental income have been transferred from property, plant and equipment.

(3) The fair values of investment properties for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description		2023		2022
Land	₩	19,557	₩	-
Building		100,090		-
Total	₩	119,647	₩	-

(4) Profits and losses related to investment properties for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description		2023		2022
Rental income	₩	3,623	₩	-
Operating and maintenance cost		(2,248)		-
Total	₩	1,375	₩	-

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

(1) Changes in right-of-use assets for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023		2022	
Beginning Balance	₩	336	₩	734
Depreciation		(119)		(398)
Ending Balance	₩	217	₩	336

The right-of-use assets above consist of 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	2023		2022	
Lease liabilities before discount	₩	326	₩	454
Lease liabilities after discount		210		336
Current		9		126
Non-current	₩	201	₩	210

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

(3) Changes in lease liability for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023		2022	
Beginning balance	₩	336	₩	746
Payment		(127)		(416)
Interest expenses		1		6
Ending balance	₩	210	₩	336

(4) Earnings and losses recognized for the 12 months ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023		2022	
Depreciation of right-of-use assets	₩	119	₩	398
Interest expenses of lease liabilities		1		6
Expense of short-term leases and leases of low-value assets		1,104		564
Total	₩	1,224	₩	968

(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	2023		2022	
Not later than one year	₩	9	₩	127
Later than one year and not later than two years		7		9
Later than two years and not later than three years		7		7
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		289		297
Total	₩	326	₩	454

14. OTHER PAYABLES:

Details of other payables as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023		2022	
Current				
Accounts payable	₩	210,462	₩	215,125
Accrued expenses		46,175		24,746
Subtotal		256,637		239,871
Non-current				
Accounts payable		1,645		905
Total	₩	258,282	₩	240,776

15. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Lender	Breakdown	Interest rate of December 31, 2023 (%)	2023		2022	
Woori Bank and others	Discount on foreign currency sales receivables	2.81–5.75	₩	198,230	₩	62,690
Korea Development Bank and others	Facility loans	4.46–4.74		50,000		-
Total			₩	248,230	₩	62,690

(2) Debentures as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	Issue date	Maturity date	Interest rate (%)	2023	2022
38-2nd Non-guaranteed public debentures	2018-06-14	2023-06-14	-	₩ -	₩ 30,000
39-2nd Non-guaranteed public debentures	2018-08-27	2023-08-25	-	-	30,000
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	-	-	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	2025-02-16	2.99	160,000	160,000
43-2nd Non-guaranteed public debentures	2022-02-16	2027-02-16	3.03	40,000	40,000
44-1st Non-guaranteed public debentures	2023-03-14	2025-03-14	4.10	60,000	-
44-2nd Non-guaranteed public debentures	2023-03-14	2026-03-14	4.04	100,000	-
45-1st Non-guaranteed public debentures	2023-09-14	2025-09-14	4.47	90,000	-
45-2nd Non-guaranteed public debentures	2023-09-14	2026-09-14	4.51	110,000	-
Subtotal				1,060,000	1,040,000
Less: Discounts on bonds payable				(1,902)	(1,701)
Less: Current portion of bonds payable				(269,913)	(339,774)
The balance				₩ 788,185	₩ 698,525

16. NET DEFINED BENEFIT LIABILITIES (ASSETS):

(1) Details of net defined benefit liabilities (assets) as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023	2022
Present value of defined benefit obligation	₩ 254,122	₩ 205,758
Fair value of plan assets	(320,594)	(325,770)
National Pension Conversion Fund	(61)	(70)
Total	₩ (66,533)	₩ (120,082)

(2) Profits and losses recognized in relation to the defined benefit liabilities (assets) for the 12 months ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023		2022	
Current service cost	₩	22,889	₩	28,676
Interest cost (income)		(6,988)		(2,408)
Past service cost		475		2,343
Total	₩	16,376	₩	28,611

(3) Changes in defined benefit obligation for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023		2022	
Beginning balance	₩	205,759	₩	252,857
Current service cost		22,889		28,676
Interest cost		10,906		7,603
Past service cost		475		2,343
Remeasurements:				
Actuarial gains arising from experience adjustments		9,426		6,972
Actuarial losses arising from changes in demographic assumptions		(22)		-
Actuarial losses arising from changes in financial assumptions		23,588		(71,834)
Subtotal		32,992		(64,862)
Benefits paid		(18,899)		(20,858)
Ending balance	₩	254,122	₩	205,759

(4) Changes in plan assets for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023		2022	
Beginning balance	₩	325,840	₩	324,497
Employer's contribution		-		17,327
Interest income		17,894		10,011
Benefits paid		(18,652)		(21,868)
Remeasurements:				
Difference between interest income and actual income		(4,427)		(4,127)
Ending balance	₩	320,655	₩	325,840

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

Description	2023	2022
Discount rate	4.68%	5.54%
Rate of expected future salary increase	3.95%	3.96%

(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)

	2023			2022		
Description	Amount		Component ratio (%)	Amount		Component ratio (%)
Time deposits and others	₩	320,655	100.00%	₩	325,840	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 10.9% / Increase by 13.0%
Rate of expected future salary-increase	Increase by 1% / Decrease by 1%	Increase by 13.2% / Decrease by 11.3%

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 (2022: 12.7 years). The expected maturity analysis of undiscounted pension benefits as of December 31, 2023, 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	₩ 6,732	₩ 11,213	₩ 50,274	₩ 1,279,229	₩ 1,347,448

17. 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, 2023 and 2022, are as follows:

(In millions of Korean won)

	2023			
Description	Provision for warranty	Other long-term employee benefit	Other provision	Total
Beginning balance	178,767	33,985	181,110	393,862
Charged	52,418	10,336	(57,848)	4,906
Utilized	(51,114)	(2,771)	(11,389)	(65,274)
Others (*)	-	-	2,973	2,973
Ending balance	180,071	41,550	114,846	336,467
Current item	63,729	-	-	63,729
Non-current item	116,342	41,550	114,846	272,738

(*) Consists of effects of changes in foreign exchange rates, etc.

(In millions of Korean won)

Description	2022 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
Current item	60,330	-	181,110	241,440
Non-current item	118,437	33,985	-	152,422

(*) Consists of effects of changes in foreign exchange rates, etc.

18. OTHER LIABILITIES:

Other liabilities as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023				2022			
	Current		Non-current		Current		Non-current	
Advance received	₩	108,243	₩	111,090	₩	171,221	₩	80,946
Deposit received		14,191		-		13,903		-
Total	₩	122,434	₩	111,090	₩	185,124	₩	80,946

19. CURRENT AND DEFERRED TAXES:

(1) Income tax expenses for the years ended December 31, 2023 and 2022, consist of the following:

Description	2023		2022	
In respect of current year (*)	₩	19,194	₩	15,358
Changes in deferred taxes relating to temporary differences		(27,960)		(30,765)
Total of income tax effect		(8,766)		(15,407)
Items that are charged or credited directly to equity		8,644		(13,898)
Income tax expense		(122)		(29,305)

(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, 2023 and 2022, is as follows:

(In millions of Korean won)

Description		**2023**		**2022**
Profit before income tax	₩	61,062	₩	8,285
Income tax expense calculated at the applicable tax rates	₩	13,643	₩	1,801
Income tax effect:				
Non-taxable income		(12,385)		(33,865)
Non-deductible expenses		3,178		2,745
Foreign tax payment credit, tax credit, and additional tax payment of prior year		(5,500)		(10,919)
Effect of temporary difference and others not recognized as deferred tax and of tax rate difference		(130)		5,323
Effect of changes in tax rate to recognize deferred tax		-		6,397
Others		1,072		(787)
Income tax expense (income)	₩	(122)	₩	(29,305)
Effective tax rate (*)		-%		-%

(*) Effective tax rate was not calculated in 2023 and 2022 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)

	2023							
Description		**Beginning**		**Recognized in profit or loss**		**Equity**		**End of the year**
Accrued income	₩	(454)	₩	84	₩	-	₩	(370)
Trade receivables		6,027		1,767		-		7,794
Inventories		6,573		57		-		6,630
Financial assets measured at FVTPL		4,178		(3,373)		-		805
PP&E		13,622		(2,660)		-		10,962
Intangible assets		5,515		(1,881)		-		3,634
Investments in associates		3,310		(2,889)		-		421
Defined benefit liabilities		46,579		3,397		7,621		57,597
Plan assets		(68,815)		(5,703)		1,023		(73,495)
Other provisions		7,851		389		-		8,240
Warranty		41,295		301		-		41,596
Deduction of carryover losses		31,494		13,577		-		45,071
Carryover tax credit		56,082		24,693		-		80,775
Others		46,090		(8,443)		-		37,647
Total	₩	199,347	₩	19,316	₩	8,644	₩	227,307

(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

(4) The Company did not recognize deferred tax assets for deductible temporary differences of ₩255,286 million (2022: ₩254,982 million) and deferred tax liabilities for taxable temporary differences of ₩11,632 million (2022: ₩11,632 million) related to its investments in subsidiaries and associates because they are not realizable.

(5) Global minimum corporate tax

The global minimum corporate tax is a policy that applies to multinational companies with sales of more than 750 million euros in consolidated financial statements for two or more of the four preceding years whose effective tax rate in each country is less than 15%. The amount of the shortfall is taxed in accordance with the laws of each country.

As the Company is located in the Republic of Korea, where tax laws related to the global minimum tax were enacted in 2023, global minimum corporate tax must be applied from reporting periods beginning on or after January 1, 2024.

The Company has applied exceptions for the recognition and disclosure of deferred corporate tax related to global minimum corporate tax, and since the law is scheduled to take effect on January 1, 2024, there is no corporate tax expense recognized in relation to the global minimum corporate tax for the current year.

Due to the complexity of the application of global minimum corporate tax, it is difficult to reasonably estimate the impact on the company as of the end of the reporting period. The Company is reviewing the impact on its financial statements with tax experts.

20. FINANCIAL INSTRUMENTS:

(1) Details of financial assets and financial liabilities as of December 31, 2023, 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	₩ 239,072	₩ -	₩ -	₩ 239,072
Short-term financial instruments	290,000	-	-	290,000
Trade notes and accounts receivable and other receivables	1,709,578	-	-	1,709,578
Other financial assets	31,203	3,241	-	34,444
Total financial assets	₩ 2,269,853	₩ 3,241	₩ -	₩ 2,273,094
Trade notes and accounts payable and other payables	₩ -	₩ -	₩ 1,430,465	₩ 1,430,465
Borrowings and debentures	-	-	1,306,328	1,306,328
Financial guarantee liabilities	-	-	12,547	12,547
Lease liabilities	-	-	210	210
Total financial liabilities	₩ -	₩ -	₩ 2,749,550	₩ 2,749,550

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

(2) Income and expenses from financial assets and liabilities by each category during the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

	2023			2022		
	Interest income	**Interest expenses**	**Valuation profit/loss**	**Interest income**	**Interest expenses**	**Valuation profit/loss**
Financial assets measured at amortized cost	₩ 31,300	₩ -	₩ -	₩ 16,008	₩ -	₩ -
Financial assets measured at FVTPL	-	-	3	10,136	-	11
Financial liabilities measured at amortized cost	-	32,498	-	-	26,168	-
Total	₩ 31,300	₩ 32,498	₩ 3	₩ 26,144	₩ 26,168	₩ 11

The foreign exchange gain or loss on the above financial instruments is ₩16,016 million (2022: ₩13,190 million), and the foreign currency translation gain or loss is ₩(-)7,134 million (2022: ₩(-)16,704 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)

	2023		2022	
Description	**Level 2**	**Level 3**	**Level 2 (*)**	**Level 3**
Financial assets measured at FVTPL	-	₩ 3,241	₩ 6,855	₩ 2,638

(*) 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.

(4) Details of financial assets and liabilities offset as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023					
	Total amount of recognition		Total amount of offset		Net amount presented in the separate financial statements	
Trade notes and accounts receivable and other receivables	₩	1,952,190	₩	242,612	₩	1,709,578
Trade notes and accounts payable and other payables		1,673,077		242,612		1,430,465

(In millions of Korean won)

Description	2022					
	Total amount of recognition		Total amount of offset		Net amount presented in 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

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

(1) Capital stock as of December 31, 2023 and 2022, consists of the following:

Description	2023		2022	
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, 2023 and 2022, consist of the following:

(In millions of Korean won)

Description	2023		2022	
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

22. RETAINED EARNINGS:

(1) Retained earnings as of December 31, 2023 and 2022, consist of the following:

(In millions of Korean won)

Description	2023		2022	
Unappropriated retained earnings	₩	1,038,485	₩	1,006,077

(2) The statements of appropriation of retained earnings as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023		2022	
Unappropriated retained earnings:		₩ 1,038,485		₩ 1,006,077
Unappropriated retained earnings carried over from prior year	₩ 1,006,077		₩ 921,649	
Profit for the year	61,184		37,590	
Remeasurements of net defined benefit liabilities	(28,776)		46,838	
Appropriation of retained earnings		-		-
Unappropriated retained earnings to be carried forward		₩ 1,038,485		₩ 1,006,077

23. EARNINGS PER SHARE:

Basic earnings per share for the years ended December 31, 2023 and 2022, are computed as follows:

(1) Earnings per share

Description	2023		2022	
Profit for the year	₩	61,184 million	₩	37,590 million
The weighted-average number of shares outstanding		81,737,796 shares		81,737,796 shares
Basic earnings per common share	₩	749	₩	460

(2) As there are no diluted securities outstanding as of December 31, 2023 and 2022, diluted earnings per share are identical to the basic earnings per share.

24. SALES:

(1) Details of sales from the contract with customers for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023		2022	
Sales of goods	₩	8,376,299	₩	7,360,412
Rendering of services		220,585		199,757
Total	₩	8,596,884	₩	7,560,169

(2) For the years ended December 31, 2023 and 2022, sales of ₩8,153,421 million (94.8% of total sales) and ₩7,229,690 million (95.6% 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, 2023, 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	₩	108,243	₩	111,090

25. EXPENSE BY NATURE:

Expense by nature for the years ended December 31, 2023 and 2022, is as follows:

(In millions of Korean won)

Description	2023		2022	
Changes in raw materials	₩	7,366,597	₩	6,390,375
Employee benefits		344,808		319,150
Depreciation		147,641		150,335
Amortization		26,861		17,054
Transportation and logistics costs		83,025		127,917
Commission expenses		121,381		107,640
Amount paid to subcontractors		183,724		144,503
Ordinary research and development expense		93,630		73,864
Others		261,024		218,118
Total (*)	₩	8,628,691	₩	7,548,956

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

26. SELLING AND ADMINISTRATIVE EXPENSES:

Details of selling and administrative expenses for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

Description	2023		2022	
Salaries	₩	59,395	₩	52,695
Retirement benefits		3,690		4,828
Employee benefits		18,902		15,868
Logistics cost		77,291		123,036
Ordinary research and development expenses		91,598		72,372
Commission expenses		18,280		8,376
Rental expenses		1,860		1,704
Depreciation		4,119		3,869
Amortization		8,672		7,601
Sales guarantee cost		30,478		17,569
Advertising expense		2,642		2,045
Bad debt expenses		6,697		(13,047)
Others		22,162		19,159
Total	₩	345,786	₩	316,075

27. OTHER INCOME:

Other income for the years ended December 31, 2023 and 2022, consists of the following:

(In millions of Korean won)

Description	2023		2022	
Gain on foreign currency exchanges	₩	17,595	₩	53,693
Gain on foreign currency translation		3,243		6,532
Gain on disposal of PP&E		204		642
Gain on disposal of intangible assets		20		-
Reversal of other allowance for doubtful accounts		448		-
Gain on disposal of investments in subsidiaries		40,862		-
Miscellaneous revenues		24,366		23,579
Total	₩	86,738	₩	84,446

28. OTHER EXPENSES:

Other expenses for the years ended December 31, 2023 and 2022, consist of the following:

(In millions of Korean won)

Description	2023		2022	
Loss on foreign currency exchange	₩	1,579	₩	40,503
Loss on foreign currency translation		10,377		23,236
Loss on disposal of PP&E		371		1,396
Loss on disposal of intangible assets		13		11
Impairment loss on PP&E		21		-
Impairment loss on intangible assets		1,168		-
Impairment losses on subsidiary/associate investment shares		-		43,318
Donation		779		632
Other bad debt expenses		-		1,034
Miscellaneous expenses		11,810		8,664
Total	₩	26,118	₩	118,794

29. FINANCE INCOME:

Finance income for the years ended December 31, 2023 and 2022, consists of the following:

(In millions of Korean won)

Description	2023		2022	
Interest income	₩	31,300	₩	26,144
Dividends income		26,640		31,433
Gain on valuation of FVTPL		3		11
Gain on disposal of FVTPL		6,804		-
Total	₩	64,747	₩	57,588

30. FINANCE COSTS:

Finance costs for the years ended December 31, 2023 and 2022, consist of the following:

(In millions of Korean won)

Description	2023	2022
Interest expenses	₩ 32,498	₩ 26,168

31. SUPPLEMENTAL CASH FLOW INFORMATION:

(1) Cash generated from operations

(In millions of Korean won)

Description	2023	2022
Profit for the year	₩ 61,184	₩ 37,590
Adjustments:	122,266	291,298
Retirement benefit costs	16,376	28,611
Long-term employee benefits	10,336	(2,637)
Depreciation	147,641	150,335
Warranty expenses	30,478	17,569
Transfer of other provisions	(57,848)	87,296
Amortization of intangible assets	26,861	17,054
Depreciation of right-of-use assets	119	398
Bad debt expenses	6,697	(13,047)
Loss on foreign currency translation	10,377	23,236
Loss on disposal of PP&E	371	1,396
Loss on disposal of intangible assets	13	11
Impairment loss on PP&E	21	-
Impairment loss on intangible assets	1,168	-
Other bad debt expenses	(448)	1,034
Impairment loss on investments in subsidiaries, joint ventures and associates	-	43,318
Interest expenses	32,498	26,168
Gain on disposal of investments in subsidiaries	(40,862)	-
Income tax expense	(122)	(29,305)
Gain on foreign currency translation	(3,243)	(6,532)
Gain on disposal of PP&E	(204)	(642)
Gain on disposal of intangible assets	(20)	-
Dividend income	(26,640)	(31,433)
Gain on valuation of FVTPL	(3)	(11)
Interest income	(31,300)	(26,144)
Others	-	4,623
Changes in operating assets and liabilities:	(40,966)	(94,542)
Decrease (increase) in trade receivables	40,030	(216,643)
Decrease (increase) in other receivables	1,776	(9,941)
Increase in other assets	(59,233)	(56,690)
Decrease in other financial assets	6,855	-
Decrease (increase) in inventories	(13,418)	29,573
Increase (decrease) in trade payables	(14,577)	190,956
Increase (decrease) in other payables	17,659	(20,471)
Increase in other liabilities	45,464	50,788
Decrease in provisions	(65,275)	(45,798)
Decrease in net defined benefit liabilities	(247)	(16,316)
Cash generated from operations	₩ 142,484	₩ 234,346

(2) Non-cash transactions

(In millions of Korean won)

Description	2023		2022	
Reclassification of the current portion of bond payables	₩	270,000	₩	340,000
Changes in other payables related to acquisition of PP&E		(285)		5,271
Transfer of construction in progress		119,399		128,119
Transfer of PP&E to investment properties		119,647		-
Transfer of advance payments and others to intangible assets		83,783		-
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, 2023 and 2022, are as follows:

(In millions of Korean won)

	2023							
Description	Borrowings		Bond payables		Lease liabilities		Total	
Beginning balance	₩	62,690	₩	1,038,299	₩	336	₩	1,101,325
Cash flows		187,108		18,608		(127)		205,589
Other (foreign currency translation and amortization)		(1,568)		1,191		1		(376)
Ending balance	₩	248,230	₩	1,058,098	₩	210	₩	1,306,538

(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

32. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2023, payment guarantees provided by the Company are as follows:

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

Beneficiaries	Guarantors	Foreign currency	Provision	Disbursement
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	Woori Bank	BRL	24,000	-
	Hana Bank	BRL	12,000	-
HYUNDAI TRANSYS GEORGIA SEATING SYSTEM, LLC	Shinhan Bank	USD	18,000	15,000
	Hana Bank	USD	18,000	15,000
	Korea Development Bank	USD	25,000	25,000
	Korea Development Bank	USD	50,000	50,000
	JPMorgan	USD	50,000	50,000
	Woori Bank	USD	18,000	-
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	-
	Woori Bank	USD	30,000	30,000
	JPMorgan	USD	20,000	-
	Hana Bank	USD	30,000	30,000
	Kookmin Bank	USD	30,000	30,000
	Industrial Bank of Korea	USD	30,000	30,000
	Korea Development Bank	USD	5,000	-
Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	CITI-Banamex	USD	20,000	-
	Korean Exim Bank	USD	10,000	10,000
	SMBC (LA)	USD	4,800	4,800
	Hana Bank	USD	35,000	35,000
	MIZUHO (Mexico)	USD	35,000	35,000
	NH Bank	USD	55,000	55,000
	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	8,500	8,000
	Shinhan Bank	RMB	36,000	9,017
	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	10,000
	Citi Bank	USD	20,000	-
Hyundai Transys (Shandong) Co., Ltd.	Korea Development Bank (Head office)	USD	24,000	24,000
	Kookmin Bank (Hong Kong)	USD	15,000	15,000
	Korea Development Bank (Guangzhou)	RMB	102,000	102,000
	Korea Development Bank (Guangzhou)	USD	20,400	11,898
	Hana Bank (Qingyang)	RMB	170,000	-
	MUFG (Qingdao)	USD	60,000	-
	Industrial Bank of Korea	RMB	62,400	22,798

	(Qingdao)			
	Woori Bank (Weihai)	RMB	60,000	45,000
	Shinhan Bank (Qingdao)	RMB	180,000	150,000
	Industrial Bank of Korea (Qingdao)	RMB	62,400	49,400
HYUNDAI TRANSYS INDIA PRIVATE LIMITED	SC Bank	USD	15,000	-
		EUR	23,000	23,000
		CHF	20,000	20,000
	Hana Bank	USD	10,000	10,000
BAIC DYMOS Automotive System (Chongqing) Co., Ltd.	Shinhan Bank	EUR	4,200	3,500
Total		USD	1,084,200	814,698
		EUR	35,700	34,500
		CHF	20,000	20,000
		RMB	966,800	547,833
		BRL	36,000	-

As of December 31, 2023, payment guarantees provided by others are as follows:

(In millions of Korean won)

Guarantee details	Providers	Guaranteed amount		Creditor
Contract performance guarantee, etc.	Machinery Financial Cooperative	₩	23	Hyundai-Rotem Co. and others
	Seoul Guarantee Insurance Co., Ltd.		17,545	

(2) As of December 31, 2023, financial commitments are as follows:

(In millions of Korean won and in thousands of USD)

Description	Lenders	Limited amount	
Overdrafts	NH Bank and others	₩	63,000
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 713,567

(*) 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 2023 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
Hyundai Group Accident Insurance (for position only)			1,567,576
Package Insurance Policy			2,629,596
Overseas Insurance and others	Hyundai Marine & Fire Insurance Co., Ltd. and others		369,700

(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, 2023, the Company lost part of the third trial in the first lawsuit for claiming additional wages related to normal wages to workers and retirees at the Seongyeon Plant (August 18, 2023) and lost part of the second trial in the second lawsuit (December 14, 2023). In addition, the Company lost part of the third trial in the first lawsuit for claiming additional wages related to ordinary wages of workers and retirees at the Jigok Plant (December 21, 2023). The reasonably estimated amount related to the litigation is reflected in the separate financial statements, and there are no pending lawsuits as a defendant as of December 31, 2023.

33. 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, the Japanese yen and the Chinese yuan. 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)

Currency	2023				2022			
	10% increase		10% decrease		10% increase		10% decrease	
USD	₩	1,067	₩	(1,067)	₩	15,017	₩	(15,017)
EUR		1,048		(1,048)		259		(259)
JPY		(457)		457		(856)		856
CNY		688		(688)		(4,382)		4,382
Total	₩	2,346	₩	(2,346)	₩	10,038	₩	(10,038)

Above sensitivity analysis is performed considering monetary asset and liability in foreign currencies as of December 31, 2023.

(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, 2023.

(In millions of Korean won)

Description		1% increase		1% decrease
Cash and cash equivalents	₩	2,391	₩	(2,391)
Borrowings	₩	(2,482)	₩	2,482

(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, 2023 and 2022, is as follows:

(In millions of Korean won)

Description		2023		2022
Cash and cash equivalents	₩	239,072	₩	238,100
Short-term financial instruments		290,000		415,000
Trade receivables		1,565,468		1,617,243
Other receivables		144,110		124,904
Other financial assets		31,203		31,149
Financial guarantee contracts		1,229,295		1,199,727

(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)

	2023			
Description	**Less than one year**	**One year–five years**	**More than five years**	**Total**
Trade payables and other payables	₩ 1,428,820	₩ 1,645	₩ -	₩ 1,430,465
Borrowings and bond payables	545,529	814,149	-	1,359,678
Financial guarantee liabilities	1,229,295	-	-	1,229,295
Total	₩ 3,203,644	₩ 815,794	₩ -	₩ 4,019,438

	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

(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, 2023 and 2022, details of debt-to-equity ratio and net borrowing ratio are summarized as follows:

(In millions of Korean won)

Description	**2023**	**2022**
Liabilities (A)	₩ 3,319,540	₩ 3,202,922
Equity (B)	2,598,064	2,565,656
Debt-to-equity ratio (A/B)	127.8%	124.8%

34. RELATED-PARTY TRANSACTIONS:

(1) Details of the related parties as of December 31, 2023 and 2022, are as follows:

Description	2023	2022
Associates (investment companies)	Hyundai Motor Company	Hyundai Motor Company
	Kia Corporation	Kia Corporation
Subsidiaries	HYUNDAI MSEAT	HYUNDAI MSEAT
	TRANIX(*1)	-
	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. (*2)
	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. (*3)	Automotive Seat System Dymos Mexico S. De R.L. DE C.V. (*3)
	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 (*4)	HYUNDAI TRANSYS GEORGIA SEATING SYSTEM, LLC (*4)
	-	HYUNDAI TRANSYS MICHIGAN, LLC (*2,4)
	Hyundai Transys Slovakia s.r.o.	Hyundai Transys Slovakia s.r.o.
	-	Hyundai Transys Mexico Seating System, S. de R.L. de C.V. (*5)
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	HYUNDAI TRANSYS INDIA PRIVATE LIMITED
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V. (*5)	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 (*2,6)
	HYUNDAI TRANSYS RUS LLC	HYUNDAI TRANSYS RUS LLC
Associates (investee companies)	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) It was newly established during the year ended December 31, 2023, and the Company owns 100% of the shares.
(*2) It was liquidated during the year ended December 31, 2023.
(*3) The liquidation process is in progress.
(*4) Companies are subsidiaries of Hyundai Transys America, Inc.
(*5) As of March 31, 2023, Hyundai Transys Mexico Powertrain, S. de R.L. de C.V. conducted an absorption-type merger with Hyundai Transys Mexico Seating System, S. de R.L. de C.V.
(*6) The company is a subsidiary of Hyundai Transys Georgia Powertrain, Inc.

(2) Significant transactions for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

		2023			
Description	**Name of company**	**Sales**	**Others**	**Purchases**	**Others**
Associates (investment companies)	Hyundai Motor Company	₩ 2,278,152	₩ 10,567	₩ 62,769	₩ 1,012
	Kia Corporation	1,311,521	26,969	54,168	9,709
Subsidiaries	HYUNDAI MSEAT	199	25	630,435	2,157
	TRANIX	1,414	17,634	128,687	-
	Hyundai Transys Czech, s.r.o.	30,011	15,926	278	5
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	11,349	8	134	12
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	6,464	4	68	-
	Sichuan Hyundai Transys Automotive System Co., Ltd.	2,132	145	-	-
	Hyundai Transys America, Inc. (*1)	67,102	968	189	5,561
	Hyundai Transys Slovakia s.r.o.	18,508	10,679	4	-
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	38,087	329	112	4,756
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	199,417	2,610	356	75
	Hyundai Transys Georgia Powertrain, Inc.	928,247	3,192	952	4,890
Associates (investee companies)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	3,524	615	142	-
	Beijing Hyundai Transys Transmission Co., Ltd.	93,674	53	93,153	-
	BAIC DYMOS Automotive System Co., Ltd.	-	-	-	229
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	-	22	2,614	-
	Hyundai Transys (Shandong) Co., Ltd.	386,885	1,019	166,087	2
	PT APM HYUNDAI TRANSYS INDONESIA	4,897	-	38	2
Other related parties (*2)		2,771,838	2,551	493,124	125,212
Total		₩ 8,153,421	₩ 93,316	₩ 1,633,310	₩ 153,622

(*1) Consolidated basis for Hyundai Transys America, Inc.
(*2) 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	2022 Sales	2022 Others	2022 Purchases	2022 Others
Associates (investment companies)	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 companies)	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.

(3) Outstanding balances arising from sales/purchases of goods and services as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

		2023			
Description	**Name of company**	**Trade notes and accounts receivable**	**Other receivables and others**	**Trade notes and accounts payable**	**Other payables and others**
Associates (investment companies)	Hyundai Motor Company	₩ 389,738	₩ 62,720	₩ 16,168	₩ 9,496
	Kia Corporation	225,639	-	16,336	53
Subsidiaries	HYUNDAI MSEAT	-	-	95,441	22
	TRANIX	-	-	13,668	-
	Hyundai Transys Czech, s.r.o.	14,335	-	-	1,809
	HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	4,632	-	43	-
	HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA.	12	-	3	-
	Sichuan Hyundai Transys Automotive System Co., Ltd. (*1)	40,362	1,564	-	-
	Hyundai Transys America, Inc. (*3)	20,230	200	-	1,788
	Hyundai Transys Slovakia s.r.o.	9,243	-	-	-
	HYUNDAI TRANSYS INDIA PRIVATE LIMITED	7,750	129	3	1,951
	Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	46,039	1,125	3	122
	Hyundai Transys Georgia Powertrain, Inc. (*3)	155,891	1,675	-	1,377
Associates (investee companies)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	3,157	614	21	-
	Beijing Hyundai Transys Transmission Co., Ltd.	37,797	173	2,044	242
	BAIC DYMOS Automotive System Co., Ltd. (*2)	6,871	-	-	-
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd. (*1)	3,035	536	-	-
	Hyundai Transys (Shandong) Co., Ltd.	145,351	470	66,925	118
	PT APM HYUNDAI TRANSYS INDONESIA	1,337	16	4	1
Other related parties (*4)		382,407	875	143,596	35,164
Executives and staff members		-	23,988	-	-
Total		₩ 1,493,826	₩ 94,085	₩ 354,255	₩ 52,143

(*1) The entire net bond value is recognized as a loss allowance.
(*2) Part of the net bond value is recognized as a loss allowance.
(*3) Consolidated basis for Hyundai Transys America, 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)

Description	Name of company	2022 Trade notes and accounts receivable	2022 Other receivables and others	2022 Trade notes and accounts payable	2022 Other payables and others
Associates (investment companies)	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 companies)	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 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 2023	Cash contribution 2022
Subsidiaries:		
HYUNDAI MSEAT	₩ -	₩ 14,000
TRANIX	10,000	-
Sichuan Hyundai Transys Automotive System Co., Ltd.	-	27,802
Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	132,370	-
Hyundai Transys America, Inc.	125,174	117,459
Subtotal	267,544	159,261
Associate (investee company)		
Hyundai Transys (Shandong) Co., Ltd.	-	4,369
Subtotal	-	4,369
Total	₩ 267,544	₩ 163,630

(5) Dividend income from subsidiaries and associates in 2023 is ₩26,603 million (2022: ₩31,402 million).

(6) For the year ended December 31, 2023, 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 ₩2,986 million (2022: ₩4,209 million).

(7) The Company provides payment guarantees for borrowings of associates as of December 31, 2022 (see Note 32).

(8) Purchasing card transactions with Hyundai Card Co., Ltd., a related party, for the year ended December 31, 2023, are as follows:

(In millions of Korean won)

Description	Limited amount	Beginning	Usage	Repayment	Ending
Hyundai Card Co., Ltd.	₩ 8,000 per month	₩ 4,449	₩ 51,323	₩ (51,588)	₩ 4,184

35. SUBSEQUENT EVENTS:

On January 30, 2024, the Company issued the 46-1st (₩120,000 million) and 46-2nd (₩180,000 million) corporate bonds.

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Report on Independent Auditor's Review of Internal Control over Financial Reporting

English Translation of a Report Originally Issued in Korean on March 19, 2024.

To the Chief Executive Officer
HYUNDAI TRANSYS INC.:

We have reviewed the accompanying management's report on the effectiveness of Internal Control over Financial Reporting ("ICFR") of HYUNDAI TRANSYS INC. (the "Company") as of December 31, 2023. The Company's management is responsible for designing and operating ICFR and for its assessment of the effectiveness of ICFR. Our responsibility is to review the management's report on the effectiveness of ICFR and issue a report based on our review. The management's report on the effectiveness of ICFR of the Company states that "Based on the assessment results, Chief Executive Officer and ICFR Officer believe that the Company's ICFR, as of December 31, 2023, is designed and operating effectively, in all material respects, in accordance with Conceptual Framework for Designing and Operating Internal Control over Financial Reporting"

Our review was conducted in accordance with ICFR review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of the management's report on the effectiveness of ICFR to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's ICFR and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

However, in accordance with Chapter 4, 'Application to small and medium sized companies' of the Conceptual Framework for Designing and Operating Internal Control over Financial Reporting and Best Practice Guideline, the design, operation and assessment of its ICFR are limited compared with those of public large sized companies as the Company is a non-public large-sized company (or a public small and medium sized company). As such, we performed our review in accordance with Chapter 14, 'Review standards for small and medium sized companies'.

An entity's ICFR is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's ICFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements. Because of its inherent limitations, ICFR may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the management's report on the effectiveness of ICFR, referred to above, is not presented fairly, in all material respects, in accordance with the Best Practice Guideline for Evaluating and Reporting Internal Control over Financial Reporting.

Deloitte.

Our review is based on the Company's ICFR as of December 31, 2023, and we did not review management's assessment of its ICFR subsequent to December 31, 2023. This report has been prepared pursuant to the Acts on External Audit for Stock Companies, etc., in Korea and may not be appropriate for other purposes or for other users.

Deloitte Anjin LLC

March 19, 2024

Notice to Readers

This report is effective as of March 19, 2024, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the Company's internal control over financial reporting thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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, 2023	To	December 31, 2023

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)		2	1	10	12	13	-	38
Hours Executed	Quarterly Review, Six-Month Review	9	48	472	84	-	-	613
	Audit	55	208	2,955	640	613	-	4,471
	Total	64	256	3,427	724	613	-	5,084

3. Key Disclosure on Execution of External Audit

Title	Detail							
Audit Planning Stage	Dates Performed			2023.05.22–2023.05.26		5	Days	
	Main Planning Work Performed			Identifying significant audit risk factors and establishing mid-term and final audit plans				
Field-work Performed	Dates Performed			Number of Participant(s)				Main Field-work Performed
				On-Site		Off-Site		
	2023.07.17–07.28	10	Days	6	Number of Participant(s)	2	Number of Participant(s)	Understanding internal control and assessing risk of the Company
	2023.11.20–11.24	5	‘’	5	‘’	2	‘’	
	2024.01.22–02.02	10	‘’	8	‘’	2	‘’	Audit of financial statements
Physical Counts - Inventory (Observation)	Time (When Performed)	2023.12.28, 2024.01.03				2		Day(s)
	Place (Where Performed)	Seongyeon factory, Jigok factory, Dongtan R&D center						
	Inventory subjected to Counts	Raw materials, Work-in-process, Merchandise, Finished goods, etc.						
Physical Counts - Financial Instruments (Observation)	Time (When Performed)	2023.12.28, 2024.01.03			2		Day(s)	
	Place (Where Performed)	Seongyeon factory, Jigok factory, Dongtan R&D center						
	Financial Instruments subjected to Counts	Cash, Notes, Membership, etc.						
External Confirmation	Bank Confirmation	O	Accounts Receivable/Payable Confirmation		O	Legal Confirmation		O
	Other Confirmation	Inventory Confirmation						
Communications with Those Charged with Governance	Number of Communications	2	Time(s) Performed					
	Time (When Performed)	2023.12.29, 2024.03.19						
Use of External Specialist(s)	Contents of Use	-						
	Time (When Performed)	-			-	Day(s)		